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PART II—Section 2

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इस भाग में भिन्न पृष्ठ संख्या की जाती है जिससे फि यह अलग संकलन के रूप में रखा जा सके।
 Separate paging is given to this Part in order that it may be filed
 as a separate compilation.

LOK SABHA

The following Bill was introduced in Lok Sabha on the 28th February, 1966:—

*BILL No. 17 OF 1966

A Bill to give effect to the financial proposals of the Central Government for the financial year 1966-67.

Be it enacted by Parliament in the Seventeenth Year of the Republic of India as follows:—

CHAPTER I

PRELIMINARY

5 1. (1) This Act may be called the Finance Act, 1966.

(2) Save as otherwise provided in this Act, sections 2 to 43, section 52 and section 53 shall be deemed to have come into force on the 1st day of April, 1966.

Short title
and com-
mence-
ment

CHAPTER II

10 INCOME-TAX AND ANNUITY DEPOSITS FOR THE FINANCIAL YEAR 1966-67

2. (1) Subject to the provisions of sub-sections (2), (3), (4) and (5), income-tax for the assessment year commencing on the 1st day of April, 1966, income-tax shall be charged at the rates specified in Part I of the First Schedule and, in the cases to which Paragraphs A, B, C and D of that Part apply, shall be increased by a surcharge for purposes

*The President has, in pursuance of clauses (1) and (3) of article 117 and clause (1) of article 274 of the Constitution of India, recommended to Lok Sabha, the introduction and consideration of the Bill.

of the Union and a special surcharge for purposes of the Union, calculated in either case in the manner provided therein.

(2) In making any assessment for the assessment year commencing on the 1st day of April, 1966, where the total income of an assessee, not being a company, includes any income chargeable under the head "Salaries", the income-tax payable by the assessee on that part of his total income which consists of such inclusion shall be an amount bearing to the total amount of income-tax payable according to the rates applicable under the operation of the Finance Act, 1965, on his total income the same proportion as the amount of such inclusion bears to his total income.

10 of 1966

(3) In making any assessment for the assessment year commencing on the 1st day of April, 1966, where the total income of a company, other than the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956, includes any profits and gains from life insurance business, the income-tax payable by it shall be the aggregate of the income-tax calculated—

(i) on the amount of profits and gains from life insurance business so included, at the rate applicable in the case of the Life Insurance Corporation of India, in accordance with Paragraph E of Part I of the First Schedule, to that part of its total income which consists of profits and gains from life insurance business; and

(ii) on the remaining part of its total income, at the rate applicable to the company on its total income.

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(4) In cases to which Chapter XII of the Income-tax Act, 1961 (hereinafter referred to as the Income-tax Act) applies, the tax chargeable shall be determined as provided in that Chapter, and with reference to the rates imposed by sub-section (1) or the rates as specified in that Chapter, as the case may be.

43 of 1961

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(5) (a) In respect of any assessment for the assessment year commencing on the 1st day of April, 1966, in the case of an assessee being a domestic company or an assessee other than a company,—

(i) where his total income includes any profits and gains derived from the export of any goods or merchandise out of India, he shall be entitled to a deduction, from the amount of income-tax with which he is chargeable, of an amount equal to the income-tax calculated at one-tenth of the average rate of income-tax on the amount of such profits and gains included in his total income;

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(ii) where he is engaged in the manufacture of any articles in an industry specified in the First Schedule to the Industries

65 of 1951.

(Development and Regulation) Act, 1951, and has, during the previous year, exported such articles out of India, he shall be entitled, in addition to the deduction of income-tax referred to in sub-clause (i), to a further deduction, from the amount of income-tax with which he is chargeable for the assessment year, of an amount equal to the income-tax calculated at the average rate of income-tax on an amount equal to two per cent. of the sale proceeds receivable by him in respect of such export.

10 *Explanation.*—In this sub-clause, the expression “sale proceeds” does not include freight or insurance attributable to the transport of the articles beyond the customs station as defined in the Customs Act, 1962.

32 of 1962.

15 (iii) where he is engaged in the manufacture of any articles in an industry specified in the said First Schedule and has, during the previous year, sold such articles to any other person in India who himself has exported them out of India, and evidence is produced before the Income-tax Officer of such articles having been so exported, the assessee shall be entitled to a deduction, from the amount of income-tax with which he is chargeable for the assessment year, of an amount equal to the income-tax calculated at the average rate of income-tax on a sum equal to two per cent. of the sale proceeds receivable by him in respect of such articles from the exporter.

20 (b) The aggregate amount of the deductions under this sub-section shall in no case exceed the amount of income-tax otherwise payable by the assessee.

25 (c) Nothing contained in sub-clause (ii) or sub-clause (iii) of clause (a) shall apply in relation to—

30 (1) fuels,
 (2) fertilisers,
 (3) photographic raw film and paper,
 (4) textiles (including those dyed, printed or otherwise processed) made wholly or in part of jute, including jute twine and rope,
 (5) newsprint,
 (6) pulp—wood pulp, mechanical, chemical, including dissolving pulp,
 (7) sugar,
 (8) vegetable oils and vanaspathi,
 (9) cement and gypsum products,
 (10) arms and ammunition, and
 (11) cigarettes,

35 respectively, specified in items 2, 18, 20, 23(2), 24(2), 24(5), 25, 28, 35, 37 and 38 of the First Schedule to the Industries (Development

65 of 1951. 45 and Regulation) Act, 1951.

(d) The amount of any profits and gains derived from the export of any goods or merchandise out of India in respect of which deduction of income-tax is admissible under sub-clause (i) of clause (a) shall be computed in accordance with the rules made by the Board in this behalf.

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(6) In cases in which tax has to be deducted under sections 193 to 195 of the Income-tax Act at the rates in force, the deduction shall be made at the rates specified in Part II of the First Schedule.

(7) For the purposes of this section and the First Schedule,—

(a) "company in which the public are substantially interested" includes a subsidiary company of such company referred to in clause (b) of section 108 of the Income-tax Act;

(b) "domestic company" means an Indian company, or any other company which, in respect of its income liable to income-tax under the Income-tax Act for the assessment year commencing on the 1st day of April, 1966, has made the prescribed arrangements for the declaration and payment within India of the dividends payable out of such income in accordance with the provisions of section 194 of that Act;

(c) "earned income" means any income of an assessee who is an individual, or a Hindu undivided family, or an unregistered firm [not being an unregistered firm assessed under clause (b) of section 183 of the Income-tax Act] or an association of persons or body of individuals, whether incorporated or not, not being—

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(A) a company, or
 (B) a local authority, or
 (C) a registered firm, or
 (D) an unregistered firm assessed under clause (b) of the said section 183—

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(i) which is chargeable under the head "Salaries"; or

(ii) which is chargeable under the head "Profits and gains of business or profession" where the business or profession is carried on by the assessee or, in the case of a firm, where the assessee is a partner actively engaged in the conduct of the business or profession; or

(iii) which is chargeable under the head "Income from other sources" if it is immediately derived from personal exertion or represents a pension or superannuation or other allowance given to the assessee in respect of the past services of any deceased person, or which is chargeable under that head under clause (ia) of sub-section (2) of section 56 of the Income-tax Act, and

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Includes any such income which, though it is the income of another person, is included in the assessee's total income under the provisions of the Income-tax Act, but does not include any such income on which income-tax is not payable under clause (iii) or clause (v) of section 86 of that Act or which is exempted from tax under a notification issued under section 60 or section 60A of the Indian Income-tax Act, 1922, as continued in force by clause (l) of sub-section (2) of section 297 of the Income-tax Act;

10 (d) "industrial company" means a company which is mainly engaged in the business of generation or distribution of electricity or any other form of power or in the construction of ships or in the manufacture or processing of goods or in mining.

15 *Explanation.*—For the purposes of this clause, a company shall be deemed to be mainly engaged in the business of generation or distribution of electricity or any other form of power or in the construction of ships or in the manufacture or processing of goods or in mining, if the income attributable to any of the aforesaid activities included in its total income for the previous 20 year is not less than fifty-one per cent. of such total income:

(e) "unearned income" means income which is not "earned income";

25 (f) "tax free security" means any security of the Central Government issued or declared to be income-tax free, or any security of a State Government issued income-tax free, the income-tax whereon is payable by the State Government;

30 (g) all other words and expressions used in this section and the First Schedule but not defined in this sub-section and defined in the Income-tax Act, shall have the meanings respectively assigned to them in that Act.

35 3. Save as otherwise provided in Chapter XXIIA of the Income-tax Act, annuity deposit for the assessment year commencing on the 1st day of April, 1966, shall be made by every person to whom the provisions of that Chapter apply, at the rates specified in the Second Schedule.

CHAPTER III

AMENDMENTS TO THE INCOME-TAX ACT

4. In section 2 of the Income-tax Act,—

(a) in clause (18),—

45 (i) in sub-clause (b), for the words "is not a private company", the words "is a public company" shall be substituted;

(ii) in *Explanation 2*, for the words "consists wholly" the words "consists mainly in the construction of ships or" shall be substituted;

Amend-
ment of
section 2

(b) in clause (22), in sub-clause (ia), after the words, figures and letters "the 31st day of March, 1964", the words, figures and letters "and before the 1st day of April, 1965" shall be inserted;

(c) in clause (42A), after the words "the date of its transfer", the following shall be inserted, namely:—

"but does not include a capital asset, being a certificate issued by an authorised dealer as defined in clause (a) of section 2 of the Foreign Exchange Regulation Act, 1947, as evidence of the remittance of foreign currency or other foreign exchange [as defined respectively in clause (c) and clause (d) of the said section] to India from a country outside India in accordance with the provisions of the said Act and any rules made thereunder, during the period commencing on the 26th day of October, 1965 and ending on the 28th day of February, 1966, or such later date as the Central Government may, by notification in the Official Gazette, specify in this behalf, notwithstanding that such capital asset has been held by the assessee for not more than twelve months immediately preceding the date of its transfer".

**Amend-
ment of
section 13** 5. In section 13 of the Income-tax Act, in clause (b), for sub-clause (ii), the following sub-clause shall be substituted, namely:—

"(ii) if under the terms of the trust or the rules governing the institution, any part of such income enures, directly or indirectly, or if any part of such income or any property of the trust or the institution is during the previous year used or applied, directly or indirectly, for the benefit of the author of the trust or the founder of the institution or any person who has made a substantial contribution to such trust or institution or any relative of such author, founder or person and where such author, founder or person is a Hindu undivided family, any part of such income enures, or any part of such income or any such property is during the previous year used or applied, directly or indirectly, for the benefit of any member of the Hindu undivided family or any relative of any member of the family.". 35

**Amend-
ment of
section 32.**

6. In section 32 of the Income-tax Act, in sub-section (1),—

(a) to clause (ii), the following proviso shall be added, namely:—

"Provided that where the actual cost of any machinery or plant does not exceed seven hundred and fifty rupees, the actual cost thereof shall be allowed as a deduction in respect

of the previous year in which such machinery or plant is acquired;";

5 (b) in clause (iii), for clause (1) of the *Explanation*, the following clause shall be substituted, namely:—

‘(1) “moneys payable” in respect of any building, machinery, plant or furniture includes—

(a) any insurance, salvage or compensation moneys payable in respect thereof;

10 (b) where the building, machinery, plant or furniture is sold, the price for which it is sold,

so, however, that where the actual cost of a motor car is, in accordance with the proviso to clause (1) of section 43, taken to be twenty-five thousand rupees, the moneys payable in respect of such motor car shall be taken to be a sum which bears to the amount for which the motor car is sold or, as the case may be, the amount of any insurance, salvage or compensation moneys payable in respect thereof (including the amount of scrap value, if any) the same proportion as the amount of twenty-five thousand rupees bears to the actual cost of the motor car to the assessee as it would have been computed before applying the said proviso;’;

20 25 (c) in clause (iv), for the words “drawing a remuneration not exceeding two hundred rupees per mensem,”, the words ‘the income of each such person chargeable under the head “Salaries” is seven thousand five hundred rupees or less,’ shall be substituted.

7. In section 33 of the Income-tax Act, in the *Explanation* to sub-section (3), the words “and the subsidiary company is an Indian company” shall be omitted. Amend-
ment of
section 33

8. In section 33A of the Income-tax Act,—

30 (a) in sub-section (1),—

(i) in clause (i), for the words “forty per cent.”, the words “fifty per cent.” shall be substituted;

(ii) in clause (ii), for the words “twenty per cent.”, the words “thirty per cent.” shall be substituted;

35 (iii) for the words “be allowed as a deduction in respect of the third succeeding previous year next following the previous year in which the land is prepared for planting or

Amend-
ment of
section
33A.

replanting, as the case may be:", the following shall be substituted, namely:—

"be allowed as a deduction in the manner specified hereunder, namely:—

(a) the amount of the development allowance 5 shall, in the first instance, be computed with reference to that portion of the actual cost of planting which is incurred during the previous year in which the land is prepared for planting or replanting, as the case may be, and in the previous year next following, and the amount so computed shall be allowed as a deduction in respect of such previous year next following; and

(b) thereafter, the development allowance shall again be computed with reference to the actual cost 15 of planting, and if the sum so computed exceeds the amount allowed as a deduction under clause (a), the amount of the excess shall be allowed as a deduction in respect of the third succeeding previous year next following the previous year in which the land has 20 been prepared for planting or replanting, as the case may be:";

(b) in sub-section (2),—

(i) for the words "the third succeeding previous year next following the previous year in which the land has been 25 prepared", the words, brackets and figure "the previous year in respect of which the deduction is required to be allowed under sub-section (1)" shall be substituted;

(ii) for the words, brackets and figure "calculated at the rates specified in sub-section (1)", the words, brackets and 30 figure "calculated at the rates and in the manner specified in sub-section (1)" shall be substituted.

Amend-
ment of
section 34.

9. In section 34 of the Income-tax Act, in clause (a) of sub-section (3), after the proviso, the following proviso shall be inserted, namely:—

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'Provided further that where a ship has been acquired after the 28th day of February, 1966, this clause shall have effect in respect of such ship as if for the words "seventy-five", the word "fifty" had been substituted.'

10. After section 35 of the Income-tax Act, the following section shall be inserted, namely:—

5 '35A. (1) In respect of any expenditure of a capital nature incurred after the 28th day of February, 1966, on the acquisition of patent rights or copyrights (hereafter, in this section, referred to as rights) used for the purposes of the business, there shall, subject to and in accordance with the provisions of this section, be allowed for each of the relevant previous years, a deduction equal to the appropriate fraction of the amount of such expenditure.

10 *Explanation.*—For the purposes of this section,—

15 (i) "relevant previous years" means the fourteen previous years beginning with the previous year in which such expenditure is incurred or, where such expenditure is incurred before the commencement of the business, the fourteen previous years beginning with the previous year in which the business commenced:

20 Provided that where the rights commenced, that is to say, became effective, in any year prior to the previous year in which expenditure on the acquisition thereof was incurred by the assessee, this clause shall have effect with the substitution for the reference to fourteen years of a reference to fourteen years less the number of complete years which, when the rights are acquired by the assessee, have elapsed since the commencement thereof, and if fourteen years have elapsed as aforesaid, of a reference to one year;

25 (ii) "appropriate fraction" means the fraction the numerator of which is one and the denominator of which is the number of the relevant previous years.

30 (2) Where the rights come to an end without being subsequently revived or where the whole or any part of the rights is sold and the proceeds of the sale (so far as they consist of capital sums) are not less than the cost of acquisition thereof remaining unallowed, no deduction under sub-section (1) shall be allowed in respect of the previous year in which the rights come to an end or, as the case may be, the whole or any part of the rights is sold or in respect of any subsequent previous year.

35 (3) Where the rights either come to an end without being subsequently revived or are sold in their entirety and the proceeds of the sale (so far as they consist of capital sums) are less than the cost of acquisition thereof remaining unallowed, a deduction equal to such cost remaining unallowed or, as the case

Insertion
of new
section
35A.

Expen-
diture on
acquisition
of patent
rights or
copyrights.

may be, such cost remaining unallowed as reduced by the proceeds of the sale, shall be allowed in respect of the previous year in which the rights come to an end, or, as the case may be, are sold.

(4) Where the whole or any part of the rights is sold and the proceeds of the sale (so far as they consist of capital sums) exceed the amount of the cost of acquisition thereof remaining unallowed, so much of the excess as does not exceed the difference between the cost of acquisition of the rights and the amount of such cost remaining unallowed shall be chargeable to income-tax as income of the business of the previous year in which the whole or any part of the rights is sold.

Explanation.—Where the whole or any part of the rights is sold in a previous year in which the business is no longer in existence, the provisions of this sub-section shall apply as if the business is in existence in that previous year.

(5) Where a part of the rights is sold and sub-section (4) does not apply, the amount of the deduction to be allowed under sub-section (1) shall be arrived at by—

(a) subtracting the proceeds of the sale (so far as they consist of capital sums) from the amount of the cost of acquisition of the rights remaining unallowed; and

(b) dividing the remainder by the number of relevant previous years which have not expired at the beginning of the previous year during which the rights are sold.

**Amend-
ment of
section 36.** 11. In section 36 of the Income-tax Act, in sub-section (1), in clause (viii), for the words “an amount not exceeding ten per cent. of the total income carried to such reserve account:”, the following shall be substituted, namely:—

“an amount not exceeding—

(a) in the case of a financial corporation whose paid-up share capital does not exceed three crores of rupees, twenty-five per cent.,

(b) in the case of any other financial corporation, ten per cent.,

of the total income carried to such reserve account:”.

**Amend-
ment of
section 43.** 12. In section 43 of the Income-tax Act, to clause (1), the following proviso shall be added, namely:—

“Provided that where the actual cost of an asset, being a motor car acquired by the assessee after the 28th day of February, 1966, exceeds twenty-five thousand rupees, the excess of the actual cost over such amount shall be ignored, and

the actual cost thereof shall be taken to be twenty-five thousand rupees.”.

13. In section 45 of the Income-tax Act, sub-sections (2), (3) and (4) shall be omitted. Amendment of section 45.

5 14. In section 55 of the Income-tax Act, in sub-section (2), clause (iv) shall be omitted. Amendment of section 55.

15. In Chapter VIA of the Income-tax Act,— Amendment of Chapter VIA.

(a) below the heading, the following sub-heading shall be inserted, namely:—

10 “A.—*Deductions in respect of certain payments*”;

(b) in section 80A, in sub-section (2), in sub-clause (ii) of clause (a), for the word “; or” occurring at the end, the words “notwithstanding that such contract contains a provision for the exercise by the insured of an option to receive a cash payment in lieu of the payment of the annuity; or” shall be substituted;

(c) after section 80D, the following sub-heading and section shall be inserted, namely:—

“B.—Other deductions

20 80E. (1) In the case of a company to which this section applies, where the total income (as computed in accordance with the other provisions of this Act) includes any profits and gains attributable to the business of generation or distribution of electricity or any other form of power or of construction, manufacture or production of any one or more of the articles or things specified in the list in the Fifth Schedule, there shall be allowed a deduction from such profits and gains of an amount equal to eight per cent. thereof, in computing the total income of the company. Deduction in respect of profits and gains from specified industries in the case of certain companies.

30 (2) This section applies to—

(a) an Indian company; or

(b) any other company which has made the prescribed arrangements for the declaration and payment of dividends (including dividends on preference shares) within India,

35 but does not apply to any Indian company referred to in clause (a), or to any other company referred to in clause (b), if such Indian or other company is a company referred

to in section 108 and its total income as computed before applying the provisions of sub-section (1) does not exceed twenty-five thousand rupees.”.

Amend-
ment of
section
85A.

16. In section 85A of the Income-tax Act,—

(a) in the proviso,—

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(i) the words “wholly or” shall be omitted;
(ii) for the words, figures and brackets “the list in paragraph 2 of the Third Schedule to the Companies (Profits) Surtax Act, 1964”, the words “the list in the Fifth Schedule” ^{7 of 1964} shall be substituted; ¹⁰

(b) in the *Explanation*, for the words, figures and brackets “the list in paragraph 2 of the Third Schedule to the Companies (Profits) Surtax Act, 1964”, the words “the list in the Fifth Schedule” ^{7 of 1964} shall be substituted.

Insertion
of new
sections
85B and
85A'.

17. After section 85A of the Income-tax Act, the following sections ¹⁵ shall be inserted, namely:—

Deduction
of tax
on divi-
dends
received
from
certain
foreign
companies.

“85B. Where shares in a company which is neither an Indian company nor a company which has made the prescribed arrangements for the declaration and payment of dividends within India (hereafter, in this section, referred to as the foreign company) have been allotted to an assessee, being an Indian company, in consideration of any patent, invention, model, design, secret formula or process, or similar property right, or information concerning industrial, commercial or scientific knowledge, experience or skill made available or provided or agreed to be made available or provided to the foreign company by the assessee, or in consideration of technical services rendered or agreed to be rendered to the foreign company by the assessee, under an agreement approved by the Central Government in this behalf before the 1st day of October of the relevant ²⁰ assessment year, and any income by way of dividend on such shares is included in the total income of the assessee, the assessee shall be entitled to a deduction from the income-tax with which it is chargeable on its total income for the assessment year of so much of the amount of income-tax calculated at the average ²⁵ rate of income-tax on the income by way of dividend so included as exceeds the amount of twenty-five per cent. thereof.

85C. Where the total income of an assessee, being an Indian company, includes any income by way of royalty, commission, fees or any similar payment received by it from a company which is neither an Indian company nor a company which has made the prescribed arrangements for the declaration and payment of dividends within India (hereafter, in this section, referred to as the foreign company) in consideration for the use of any patent, invention, model, design, secret formula or process, or similar property right, or information concerning industrial, commercial or scientific knowledge, experience or skill made available or provided or agreed to be made available or provided to the foreign company by the assessee, or in consideration of technical services rendered or agreed to be rendered to the foreign company by the assessee, under an agreement approved by the Central Government in this behalf before the 1st day of October of the relevant assessment year, the assessee shall be entitled to a deduction from the income-tax with which it is chargeable on its total income for the assessment year of so much of the amount of income-tax calculated at the average rate of income-tax on the income so included as exceeds the amount of twenty-five per cent. thereof".

18. In section 86A of the Income-tax Act, for the words "twenty-five", the words "twenty-seven and a half" shall be substituted.

Amend-
ment of
section
36A.

19. In section 88 of the Income-tax Act, in clause (a) of sub-section (1), for the words "twenty-five", the words "twenty-seven and a half" shall be substituted.

Amend-
ment of
section 88.

20. In section 104 of the Income-tax Act,—

(a) in sub-section (1),—

(i) for the words, brackets and figure—

30 "on the distributable income as reduced by—

(i) the amount of dividends actually distributed, and", the words "on the distributable income as reduced by the amount of dividends actually distributed, if any." shall be substituted;

35 (ii) clause (ii) shall be omitted;

(b) in sub-section (4),—

(i) in clause (a), for the words "wholly or mainly", the words "mainly in the construction of ships or" shall be substituted;

Amend-
ment of
section 104.

Deduction
of tax on
royalties,
etc., receiv-
ed from
certain
foreign
companies

(ii) after clause (b), the following clause shall be inserted, namely:—

“(c) a company which is neither an Indian company nor a company which has made the prescribed arrangements for the declaration and payment of dividends within India.”;

(iii) in the *Explanation*, after the words “consist mainly in”, the words “the construction of ships or in” shall be inserted.

Amend-
ment of
section 109.

21. In section 109 of the Income-tax Act,—

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(a) in clause (i), after sub-clause (f), the following sub-clauses shall be inserted, namely:—

“(g) any expenditure actually incurred for the purposes of the business, but not deducted in computing the income chargeable under the head “Profits and gains of business or profession” being—

(1) a bonus or gratuity paid to an employee,

(2) legal charges,

(3) any such expenditure as is referred to in clause (c) of section 40,

(4) any expenditure claimed as a revenue expenditure but not allowed to be deducted as such and not resulting in the creation of an asset or enhancement in the value of an existing asset;

(h) any expenditure wholly and exclusively incurred for the purpose of making or earning any income (other than income chargeable under the head “Profits and gains of business or profession”) included in the total income but not allowed to be deducted in computing such income and not resulting in the creation of an asset or enhancement in the value of an existing asset;’;

(b) for clause (ii), the following clause shall be substituted, namely:—

“(ii) “investment company” means a company whose total income consists mainly of income which, if it had been the income of an individual, would have been regarded as unearned income.

Explanation.—In this clause, the expression “unearned income” has the meaning assigned to it in the Finance Act of the relevant year;’;

4c

(c) in clause (iia), the words "wholly or" shall be omitted;

(d) for sub-clause (iii) (3), the following shall be substituted, namely:—

5 (3) in the case of an Indian company [not being an Indian company which falls under the provisions of clause (a) of sub-section (4) of section 104], a part only of whose total income consists of profits and gains attributable to the business of construction of ships or of manufacture or processing of goods or of mining or of generation or distribution of electricity or any other form of power—

10 (a) in relation to the profits and gains Nil; attributable to such business

15 (b) in relation to the remaining part of its total income—

(1) if it is a company which satisfies 90%; the conditions specified in sub-clause (4) (a) of this clause

(2) in any other case 60%.

20 *Explanation.*—The provisions of this Chapter shall, in relation to the remaining part of the total income aforesaid, apply as if such part were the total income of the company; and, for the purposes of section 104, the amount of dividends actually distributed shall be deemed to be such proportion thereof as the part aforesaid bears to the total income of the company;".

25 22. In section 112A of the Income-tax Act, the existing *Explanation* shall be re-numbered as *Explanation 1* and after *Explanation 1* ^{Amendment of section} as so re-numbered, the following *Explanation* shall be inserted, 112A, namely:—

30 'Explanation 2.—For the purposes of this section and sections 112, 114 and 193, "National Savings Certificates (First Issue)" includes "National Savings Certificates (First Issue)—Bank Series".'

23. In section 114 of the Income-tax Act, in sub-clause (ii) of Amendment of section 114. clause (b), the third proviso shall be omitted.

35 24. In section 115 of the Income-tax Act,— ^{Amendment of section 115.}

(a) clause (i) shall be omitted;

(b) in sub-clause (b) of clause (ii), the brackets, words and figure "[excluding capital gains, if any, referred to in clause (i)]" shall be omitted;

(c) in clause (iii), for the words, brackets and figures "in clauses (i) and (ii)", the words, brackets and figures "in clause (ii)" shall be substituted.

**Amend-
ment of
section 193.** 25. In section 193 of the Income-tax Act, in the proviso, after clause (iii), the following clause shall be inserted, namely:—

"(iv) any interest payable on any other security of the Central or State Government, where the security is held by an individual, not being a non-resident, and the holder thereof makes a declaration in writing before the person responsible for paying the interest that—

(a) he has not previously been assessed under this Act or under the Indian Income-tax Act, 1922;

(b) his total income of the previous year in which the interest is due is not likely to exceed the maximum amount not chargeable to tax; and

(c) the total nominal value of the securities held by him (including such securities, if any, as are held on his behalf by any other person) did not exceed two thousand five hundred rupees at any time during the said previous year.".

11 of 1922.

15

**Amend-
ment of
section 201.**

26. In section 201 of the Income-tax Act,—

20

(a) in sub-section (1), in the proviso, for the word "wilfully", the words "without good and sufficient reasons" shall be substituted;

(b) after sub-section (1), the following sub-section shall be inserted, namely:—

25

"(1A) Without prejudice to the provisions of sub-section (1), if any such person, principal officer or company as is referred to in that sub-section does not deduct or after deducting fails to pay the tax as required by or under this Act, he or it shall be liable to pay simple interest at six per cent. per annum on the amount of such tax from the date on which such tax was deductible to the date on which such tax is actually paid.";

30

(c) in sub-section (2), for the words "it shall be a charge", the words, brackets, figure and letter "the amount of the tax together with the amount of simple interest thereon referred to in sub-section (1A) shall be a charge" shall be substituted.

35

**Amend-
ment of
section 235.**

27. In section 235 of the Income-tax Act, in sub-clauses (i) and (ii) of clause (b), for the words "twenty-five", the words "twenty-seven-and a half" shall be substituted.

40

28. In section 236A of the Income-tax Act,—

5 (a) in sub-section (1), for the words, figures and letters “the 1st day of April, 1964”, the words, figures and letters “the 1st day of April, 1966” shall be substituted;

10 (b) for sub-section (2), the following sub-section shall be substituted, namely:—

15 “(2) The amount to be given as credit under sub-section (1) shall be a sum which bears to the amount of the tax payable by the company under the provisions of the annual Finance Act with reference to the relevant amount of distributions of dividends by it the same proportion as the amount of the dividends (other than dividends on preference shares) received by the institution or fund from the company bears to the total amount of dividends (other than dividends on preference shares) declared or distributed by the company during the previous year.

20 *Explanation.*—In sub-section (2) of this section and in section 280ZB, the expression “the relevant amount of distributions of dividends” has the meaning assigned to it in the Finance Act of the relevant year.”.

25 29. In section 280A of the Income-tax Act, after the existing proviso, the following second proviso and the following *Explanation* shall be added, namely:—

30 ‘Provided further that nothing contained in this Chapter shall apply in the case of a person whose total income of the previous year relevant to the assessment year commencing on the 1st day of April, 1967, or any subsequent year, does not exceed twenty-five thousand rupees, unless such person has, not later than the 30th day of September of the financial year immediately preceding the assessment year, by notice in writing to the Income-tax Officer, declared (such declaration being final for that assessment year and all assessment years thereafter) that the provisions of this Chapter shall apply to him.

35 *Explanation.*—In this section and in sections 280E, 280F and 280H, the expression “total income” means the total income computed without making any allowance under section 280O.’.

30. In section 280E of the Income-tax Act, the *Explanation* shall be omitted.

Amend
ment of
section
236A.

Amend
ment of
section
280A.

Amend
ment of
section
280E.

Substitution of new section for shall be substituted, namely:—
section 280Q.

Rounding off

31. For section 280Q of the Income-tax Act, the following section

"280Q. The amount of any deposit to be made under this Chapter shall be rounded off to the nearest multiple of ten rupees and for this purpose any part of a rupee consisting of paise shall be ignored and thereafter if such amount is not a multiple of ten, then, if the last figure in that amount is five or more, the amount shall be increased to the next higher amount which is a multiple of ten and if the last figure is less than five, the amount shall be reduced to the next lower amount which is a multiple of ten: 5

Provided that where the amount so computed is required under any provision of this Chapter to be deposited in two or more equal instalments and the amount of each instalment calculated for this purpose is not a multiple of ten rupees, the amount of each such instalment, other than the last instalment, shall be rounded off to the nearest multiple of ten rupees and the balance shall be the amount of the last instalment." 15

Amendment of section 280X.

32. In section 280X of the Income-tax Act, after sub-section (1), the following sub-section shall be inserted, namely:— 2c

"(1A) Notwithstanding anything contained in sub-section (1), a depositor, being an individual who is more than seventy years of age on the last day of the previous year relevant to any assessment year and who has not exercised the option in accordance with the provisions of sub-section (1), may, on or before 25 the 30th day of June of the assessment year, by notice in writing to the Income-tax Officer, declare (such declaration being final for that assessment year and all assessment years thereafter) that the provisions of this Chapter shall not apply to him and if he does so, the provisions of this Chapter shall not apply to him 30 for any assessment year in relation to which such option has effect:

Provided that where any such depositor satisfies the Income-tax Officer that he was prevented by sufficient cause from making such declaration on or before the date aforesaid, the 35 Income-tax Officer may, with the previous approval of the Inspecting Assistant Commissioner, allow such depositor to make the declaration at any time after the said date." 30

33. In section 280ZB of the Income-tax Act, in *Explanation 2*, for the sentence beginning with the words "The amount of income-tax payable by the company" and ending with the words "during the previous year or any previous year prior to that year.", the following
5 shall be substituted, namely:—

"The amount of income-tax payable by the company for any assessment year shall be computed after making allowance for any relief, rebate or deduction in respect of income-tax to which the company is entitled under the provisions of this Act or the annual Finance Act and after deducting from such amount
10 of income-tax—

(a) the amount of additional income-tax, if any, payable by the company under the provisions of section 104; and

15 (b) (i) in respect of the assessment year commencing on the 1st day of April, 1965, the amount, if any, by which the rebate of income-tax admissible to the company under the provisions of the Finance Act, 1965, is, under the provisions of the said Act, reduced with reference to the face value of any bonus shares or the amount of any bonus issued by the company to its shareholders during the previous year or any previous year prior to that year or with reference to any amount of dividends declared or distributed by it during the previous year or any previous year prior to that year; or
20

25 (ii) in respect of the assessment year commencing on the 1st day of April, 1966, or any subsequent assessment year, the amount of income-tax, if any, payable by the company under the provisions of the annual Finance Act with reference to the relevant amount of distributions of dividends by it."

34. After section 288 of the Income-tax Act, the following sections shall be inserted, namely:—

Insertion
of new
sections
288A and
288B.

35 '288A. (1) Subject to the provisions of sub-section (2), the amount of total income computed in accordance with the foregoing provisions of this Act shall be rounded off to the nearest multiple of ten rupees and for this purpose any part of a rupee consisting of paise shall be ignored and thereafter if such amount is not a multiple of ten, then, if the last figure in that amount is five or more, the amount shall be increased to the next higher amount which is a multiple of ten and if the last figure is less than five, the amount shall be reduced to the next lower amount which is a multiple of ten; and the amount so rounded off shall
40

Rounding
off of
income.

be deemed to be the total income of the assessee for the purposes of this Act.

(2) If the total income of the assessee includes earned income chargeable under any head, the adjustment under sub-section (1) shall, to the extent possible, be made in computing such earned income and, as to the balance, if any, against any other income; and if there is no earned income, the adjustment shall be made in computing any other income under any head. 5

Explanation.—In this section, the expression “earned income” has the meaning assigned to it in the Finance Act of the 10 relevant year.

Rounding off of tax etc.

288B. The amount of tax (including tax deductible at source or payable in advance), interest, penalty, fine or any other sum payable, and the amount of refund due, under the provisions of this Act shall be rounded off to the nearest rupee and, for this 15 purpose, where such amount contains a part of a rupee consisting of paise, then, if such part is fifty paise or more, it shall be increased to one rupee and if such part is less than fifty paise, it shall be ignored.'

Amend-
ment of
section 297

35. In section 297 of the Income-tax Act, in clause (l) of sub- 20 section (2), after the word and figures “section 60”, the words, figures and letter “or section 60A” shall be, and shall be deemed always to have been, inserted.

Amend-
ment of
First
Schedule.

36. In the First Schedule to the Income-tax Act, in rule 3, in clause (c), for the words “twenty-five”, the words “twenty-seven and 25 a half” shall be substituted.

Amend-
ment of
Fifth
Schedule.

37. (1) In the Fifth Schedule to the Income-tax Act,—

(a) for the brackets, words figures and letter “[See section 33(1)(iii)(c)]”, the following shall be substituted, namely:—

“[See sections 33(1) (iii) (c), 80E and 85A]”; 30

(b) in item (16), after the word “pulp”, the words “including newsprint” shall be inserted;

(c) after item (25), the following items shall be inserted, namely:—

“(26) Tea.

(27) Printing machinery.”.

(2) For the purposes of sub-section (1) of section 33 of the said Act, the amendments made by clauses (b) and (c) shall have effect in respect of machinery or plant installed after the 31st day of March, 1966.

CHAPTER IV

OTHER DIRECT TAXES

38. In the Estate Duty Act, 1953,—

Amend-
ment
of Act 34
of 1953.

(a) in section 9, in sub-section (1), for the words "one year", the words "two years" shall be substituted;

(b) in section 10, in the proviso, for the words "one year", the words "two years" shall be substituted;

(c) in section 11, in sub-section (2), for the words "one year", wherever they occur, the words "two years" shall be substituted;

10 (d) in section 12, in the proviso to sub-section (1), for the words "one year", the words "two years" shall be substituted;

(e) in section 22, for the words "one year", the words "two years" shall be substituted;

(f) in section 33, in sub-section (1),—

15 (i) in clause (b), for the words "one year", the words "two years" shall be substituted;

(ii) after clause (m), the following clause shall be, and shall be deemed to have been, inserted with effect from the 1st day of April, 1965, namely:—

20 "(mm) property belonging to the deceased who was a member of any police force (including a border security force) and was killed in any action in protecting the border;";

(g) in section 34, in clause (a) of sub-section (1), after the brackets and letter "(m)", the brackets and letters "(mm)" shall be, and shall be deemed to have been, inserted with effect from the 1st day of April, 1965;

25 (h) in section 46, in sub-section (2), for the words "one year", the words "two years" shall be substituted;

30 (i) in the Second Schedule, for Part I, the following Part shall be substituted, namely:—

"PART I

In the case of any property which passes or is deemed to pass on the death of the deceased—

35 (1) where the principal value of the estate does not exceed Rs. 50,000 Nil;

(2) where the principal value of the estate exceeds Rs. 50,000 but does not exceed Rs. 1,00,000 4 per cent. of the amount by which the principal value of the estate exceeds Rs. 50,000;

(3) where the principal value of the estate exceeds Rs. 1,00,000 but does not exceed Rs. 2,00,000	Rs. 2,000 plus 10 per cent. of the amount by which the principal value of the estate exceeds Rs. 1,00,000;
(4) where the principal value of the estate exceeds Rs. 2,00,000 but does not exceed Rs. 3,50,000	Rs. 12,000 plus 15 per cent. of the amount by which the principal value of the estate exceeds Rs. 2,00,000;
(5) where the principal value of the estate exceeds Rs. 3,50,000 but does not exceed Rs. 5,00,000	Rs. 34,500 plus 25 per cent. of the amount by which the principal value of the estate exceeds Rs. 3,50,000;
(6) where the principal value of the estate exceeds Rs. 5,00,000 but does not exceed Rs. 10,00,000	Rs. 72,000 plus 30 per cent. of the amount by which the principal value of the estate exceeds Rs. 5,00,000;
(7) where the principal value of the estate exceeds Rs. 10,00,000 but does not exceed Rs. 15,00,000	Rs. 2,22,000 plus 40 per cent. of the amount by which the principal value of the estate exceeds Rs. 10,00,000;
(8) where the principal value of the estate exceeds Rs. 15,00,000 but does not exceed Rs. 20,00,000	Rs. 4,22,000 plus 50 per cent. of the amount by which the principal value of the estate exceeds Rs. 15,00,000;
(9) where the principal value of the estate exceeds Rs. 20,00,000	Rs. 6,72,000 plus 85 per cent. of the amount by which the principal value of the estate exceeds Rs. 20,00,000.

Transitional provisions.

39. In the case of persons dying on or after the 1st day of April, 1966, but before the 1st day of April, 1967, sections 9, 10, 11, 12, 22, 33 and 46 of the Estate Duty Act, 1953, as amended, respectively, by clauses (a), (b), (c), (d) and (e), sub-clause (i) of clause (f) and clause (h) of section 38, shall have effect as if references therein to the two years before the death of the deceased were references to the said two years less so much thereof as fell before the 1st day of April, 1965.

34 of 1953.

Repeal of Act 29 of 1957.

40. The Expenditure-tax Act, 1957 is hereby repealed.

Amendment of Act 18 of 1958.

41. In the Gift-tax Act, 1958,—

(a) in section 5,—

(i) in sub-section (1), after clause (ii), the following clause shall be inserted, namely:—

'(iia) being an individual who is not resident in India, to any person resident in India, of foreign currency or other foreign exchange [as defined, respectively, in clause (c) and clause (d) of section 2 of the Foreign Exchange Regulation Act, 1947] remitted from a country outside India in accordance with the provisions of the said Act, and any rules made thereunder, during the period commencing on the 26th day of October, 1965 and

7 of 1947.

ending on the 28th day of February, 1966, or such later date as the Central Government may, by notification in the Official Gazette, specify in this behalf.

5 Explanation.—For the purposes of this clause, the expression "resident in India" shall have the meaning assigned to it in the Income-tax Act;

(ii) in sub-section (2), for the words "five thousand", the words "ten thousand" shall be substituted;

(b) section 6A shall be omitted;

10 (c) for the Schedule, the following Schedule shall be substituted, namely:—

"THE SCHEDULE

[See section 3]

RATES OF GIFT-TAX

15	(1) Where the value of all taxable gifts does not exceed Rs. 15,000	5 per cent. of the value of such gifts.
	(2) Where the value of all taxable gifts exceeds Rs. 15,000 but does not exceed Rs. 40,000	Rs. 750 plus 8 per cent. of the amount by which the value of such gifts exceeds Rs. 15,000.
20	(3) Where the value of all taxable gifts exceeds Rs. 40,000 but does not exceed Rs. 90,000	Rs. 2,750 plus 10 per cent. of the amount by which the value of such gifts exceeds Rs. 40,000.
	(4) Where the value of all taxable gifts exceeds Rs. 90,000 but does not exceed Rs. 1,40,000	Rs. 7,750 plus 15 per cent. of the amount by which the value of such gifts exceeds Rs. 90,000.
25	(5) Where the value of all taxable gifts exceeds Rs. 1,40,000 but does not exceed Rs. 1,90,000	Rs. 15,250 plus 17.5 per cent. of the amount by which the value of such gifts exceeds Rs. 1,40,000.
	(6) Where the value of all taxable gifts exceeds Rs. 1,90,000 but does not exceed Rs. 3,40,000	Rs. 24,000 plus 20 per cent. of the amount by which the value of such gifts exceeds Rs. 1,90,000.
	(7) Where the value of all taxable gifts exceeds Rs. 3,40,000 but does not exceed Rs. 4,90,000	Rs. 54,000 plus 25 per cent. of the amount by which the value of such gifts exceeds Rs. 3,40,000.
35	(8) Where the value of all taxable gifts exceeds Rs. 4,90,000 but does not exceed Rs. 9,90,000	Rs. 91,500 plus 30 per cent. of the amount by which the value of such gifts exceeds Rs. 4,90,000.
	(9) Where the value of all taxable gifts exceeds Rs. 9,90,000 but does not exceed Rs. 14,90,000	Rs. 2,41,500 plus 40 per cent. of the amount by which the value of such gifts exceeds Rs. 9,90,000.
40	(10) Where the value of all taxable gifts exceeds Rs. 14,90,000	Rs. 4,41,500 plus 50 per cent. of the amount by which the value of such gifts exceeds Rs. 14,90,000."

Repeal of
Act 14 of
1963.

Amend-
ment of
Act 7 of
1964.

42. The Super Profits Tax Act, 1963 is hereby repealed.

43. In the Companies (Profits) Surtax Act, 1964,—

(a) in the First Schedule, in clause (i) of rule 2,—

(i) for sub-clause (b), the following sub-clause shall be substituted, namely:—

15

'(b) the amount of income-tax, if any, payable by the company under the provisions of the annual Finance Act with reference to the relevant amount of distributions of dividends by it.

Explanation.—In this sub-clause, the expression "the relevant amount of distributions of dividends" has the meaning assigned to it in the Finance Act of the relevant year;';

(ii) after sub-clause (b), the following sub-clause shall be, and shall be deemed always to have been, inserted, 15 namely:—

'(c) the amount of income-tax, if any, payable by the company under section 104 of the Income-tax Act.

Explanation.—In relation to the assessment year commencing on the 1st day of April, 1964, the reference 20 in this sub-clause to "income-tax" shall be construed as a reference to "super-tax";;

(b) in the Third Schedule,—

(i) in Paragraph 1,—

(1) for the figures and words "40 per cent.", the 25 figures and words "35 per cent." shall be substituted;

(2) the first and second provisos shall be omitted;

(3) in the third proviso,—

30

(A) for the words "Provided further", the word "Provided" shall be substituted;

(B) in clause (a), the words "after deducting from such amount of income-tax the amount, if any, by which the rebate of income-tax admissible to the company under the provisions of the annual Finance Act is, under the provisions of the said Act, reduced 35 with reference to the face value of any bonus shares or the amount of any bonus issued by the company

to its shareholders during the previous year or any previous year prior to that year" shall be omitted;

(ii) Paragraph 2 shall be omitted.

CHAPTER V

5

INDIRECT TAXES

32 of 1934. **44.** (1) In the case of goods chargeable with a duty of customs which is specified in the First Schedule to the Indian Tariff Act, 1934 (hereinafter referred to as the Tariff Act), or in that Schedule as amended by a subsequent Central Act, if any, or in that Schedule read with any notification of the Central Government for the time being in force, there shall be levied and collected as an addition to, and in the same manner as, the total amount so chargeable, a special duty of customs equal to 10 per cent. of such amount: Special duties of customs.

15 Provided that in computing the total amount so chargeable, any duty chargeable under section 2A of the Tariff Act or section 45 of this Act shall not be included.

10 of 1897. **(2)** Sub-section (1) shall cease to have effect after the 31st day of May, 1967 except as respects things done or omitted to be done before such cesser; and section 6 of the General Clauses Act, 1897 **20** shall apply upon such cesser as if the said sub-section had then been repealed by a Central Act.

25 **45.** (1) With a view to regulating or bringing greater economy in imports, there shall be levied and collected, with effect from such date, and at such rate, as may be specified in this behalf by the Central Government by notification in the Official Gazette, on all or any of the goods mentioned in the First Schedule to the Tariff Act or in that Schedule as amended by a subsequent Central Act, if any, a regulatory duty of customs not exceeding— Regulatory duties of customs.

30 (a) 25 per cent. of the rate, if any, specified in the said First Schedule read with any notification issued under section 3A or sub-section (1) of section 4 of the Tariff Act; or

62 of 1962. (b) 10 per cent. of the value of the goods as determined in accordance with the provisions of section 14 of the Customs Act, 1962,

35 whichever is higher:

Provided that different dates and different rates may be specified by the Central Government for different kinds of goods.

(2) Sub-section (1) shall cease to have effect after the 15th day of July, 1967, except as respects things done or omitted to be done

before such cesser; and section 6 of the General Clauses Act, 1897 shall apply upon such cesser as if the said sub-section had then been repealed by a Central Act.

(3) The regulatory duty of customs leviable under this section in respect of any goods referred to in sub-section (1) shall be in addition to any other duty of customs chargeable on such goods under the Customs Act, 1962.

52 of 1962.

(4) The provisions of the Customs Act, 1962 and the rules and regulations made thereunder, including those relating to refunds and exemptions from duties, shall, as far as may be, apply in relation to the levy and collection of the regulatory duty of customs leviable under this section in respect of any goods as they apply in relation to the levy and collection of the duties of customs on such goods under that Act or those rules and regulations.

52 of 1962.

(5) Every notification issued under sub-section (1) shall, as soon as may be after it is issued, be placed before each House of Parliament.

Amend-
ment of
Act 1 of
1949.

46. In the Indian Tariff (Amendment) Act, 1949, in sections 4 and 5, for the figures "1966", the figures "1967" shall be substituted.

Amend-
ment of
Act 1 of
1944.

47. In the Central Excises and Salt Act, 1944 (hereinafter referred to as the Central Excises Act), in the First Schedule,—

(a) in Item No. 1, for the entries in the third column against sub-items (1) and (2), the entries "Thirty rupees and fifty paise per quintal." and "Fifteen rupees per quintal." shall, respectively, be substituted;

25

(b) in Item No. 4,—

(1) under "I. Unmanufactured tobacco—", for the entries in the third column against sub-items (1), (2) and (4), the entries "Three rupees and twenty paise.", "Twenty-five rupees." and "Two rupees and sixty paise." shall, respectively, be substituted;

(2) under "II. Manufactured tobacco—", for the entries in the third column against sub-items (1) (i), (1) (ii), (1) (iii) and (1) (iv), the entries "Twenty rupees.", "Twelve rupees.", "Four rupees." and "One rupee." shall, respectively, be substituted;

(c) in Item No. 9, for the entry in the third column, the entry "One hundred and ninety-five rupees per metric tonne." shall be substituted;

30

30

35

(d) after Item No. 14D, the following Item shall be inserted, namely:—

5 "14DD. SYNTHETIC ORGANIC PRODUCTS OF A KIND USED AS ORGANIC LUMINOPHORES; PRODUCTS OF THE KIND KNOWN AS OPTICAL BLEACHING AGENTS, SUBSTANTIVE TO THE FIBRE. Fifteen per cent. *ad valorem.*":

10 (e) in Item No. 14H, for the entry in the third column against sub-item (iv), the entry "One rupee per kilogram." shall be substituted;

15 (f) after Item No. 15A, the following Item shall be inserted, namely:—

15 "15AA. ORGANIC SURFACE-ACTIVE AGENTS (OTHER THAN SOAP); SURFACE-ACTIVE PREPARATIONS AND WASHING PREPARATIONS, WHETHER OR NOT CONTAINING SOAP. Ten per cent. *ad valorem.*":

20 (g) in Item No. 18, for the entry in the third column, the entry "Twelve rupees per kilogram." shall be substituted;

25 (h) in Item No. 18A, for the entries in the third column against sub-items (1) and (2), the entries "One rupee and fifty paise per kilogram." and "Sixty paise per kilogram." shall, respectively, be substituted;

(i) in Item No. 19,—

25 (1) for the entry in the third column against each of the sub-items (1), (2) and (5), the entry "Eighty paise per square metre." shall be substituted;

30 (2) for the entry in the third column against each of the sub-items (3) and (4), the entry "Sixty paise per square metre." shall be substituted;

(j) in Item No. 26AA,—

35 (1) the word "flats" occurring in the entry in the second column against sub-item (ia) shall be omitted;

35 (2) for the words "Skelp and strips" occurring in the entry in the second column against sub-item (iii), the words "Flats, skelp and strips." shall be substituted;

(3) for the entry in the third column against sub-item (iv), the entry "Fifteen per cent. *ad valorem* plus the excise duty for the time being leviable on pig iron or steel ingots, as the case may be." shall be substituted;

(k) in Item No. 33B,—

5

(1) for the entry in the second column against sub-item (i), the following entry shall be substituted, namely:—

"Insulated wires and cables of copper, aluminium or other metals and alloys, whether sheathed or unsheathed, the conductor of any core of which, not being ¹⁰ one specially designed as a pilot core, has a sectional area not exceeding 1.5 square millimetres in the case of copper, or not exceeding 2.5 square millimetres in the case of aluminium or of not more than equivalent conductivity as of copper in the case of other metals and ¹⁵ alloys.";

(2) the following *Explanation* shall be inserted at the end, namely:—

Explanation.—The expression "Electric wires and cables, all sorts" used in this Item shall not include ²⁰ square or rectangular conductors, whether insulated or not.'.

Special duties of excise on certain goods.

48. (1) When goods of the description mentioned in this section chargeable with a duty of excise under the Central Excises Act (as amended by this Act or any subsequent Central Act) read ²⁵ with any notification for the time being in force issued by the Central Government in relation to the duty so chargeable, are assessed to duty, there shall be levied and collected—

(a) as respects goods comprised in Items Nos. 6, 8, 9, 14D, 22A, 23A except sub-item (1) thereof, 23B, 28, 29, sub-items (2) and (3) ³⁰ of Item No. 31 and Item No. 32 of the First Schedule to the Central Excises Act, a special duty of excise equal to 10 per cent. of the total amount so chargeable on such goods;

(b) as respects goods comprised in Items Nos. 2, 3(1), sub-items I, II(2) and II(3) of Item No. 4, Items Nos. 13, 14, 14F, 15, 35 15A, 15B, 16, 16A, 17, 18A(2), 21, 22, 23, 23A(1), 27, 30, 31(1), 33, sub-items (1), (3a) and (4) of Item No. 34 and Item No. 37 of that Schedule, a special duty of excise equal to 20 per cent. of the total amount so chargeable on such goods; and

(c) as respects goods comprised in Items Nos. 4 II(1), 18, 40 18A(1), 18B, 20, 29A, 33A, sub-items (2) and (3) of Item No. 34

and radiograms comprised in Item No. 37A of that Schedule, a special duty of excise equal to 33½ per cent. of the total amount so chargeable on such goods.

10 of 1897. (2) Sub-section (1) shall cease to have effect after the 31st day of 5 May, 1967, except as respects things done or omitted to be done before such cesser; and section 6 of the General Clauses Act, 1897 shall apply upon such cesser as if the said sub-section had then been repealed by a Central Act.

10 (3) The duties of excise referred to in sub-section (1) in respect of the goods specified therein shall be in addition to the duties of excise chargeable on such goods under the Central Excises Act or any other law for the time being in force and such special duties shall be levied for purposes of the Union and the proceeds thereof shall not be distributed among the States.

15 (4) The provisions of the Central Excises Act and the rules made thereunder, including those relating to refunds and exemptions from duties, shall, as far as may be, apply in relation to the levy and collection of the duties of excise leviable under this section in respect of any goods as they apply in relation to the levy and collection of the 20 duties of excise on such goods under that Act or those rules.

49. (1) With a view to regulating or bringing greater economy in consumption, there shall be levied and collected, with effect from such date, and at such rate, as may be specified in this behalf by the Central Government by notification in the Official Gazette, on all or 5 any of the goods mentioned in the First Schedule to the Central Excises Act as amended by this Act or any subsequent Central Act, a regulatory duty of excise which shall not exceed 15 per cent. of the value of the goods as determined in accordance with the provisions of section 4 of the Central Excises Act:

30 Provided that different dates and different rates may be specified by the Central Government for different kinds of goods.

10 of 1897. (2) Sub-section (1) shall cease to have effect after the 15th day of July, 1967, except as respects things done or omitted to be done before such cesser; and section 6 of the General Clauses Act, 1897 35 shall apply upon such cesser as if the said sub-section had then been repealed by a Central Act.

40 (3) The duties of excise referred to in sub-section (1) in respect of the goods specified therein shall be in addition to the duties of excise chargeable on such goods under the Central Excises Act or any other law for the time being in force and such regulatory duties

shall be levied for purposes of the Union and the proceeds thereof shall not be distributed among the States.

(4) The provisions of the Central Excises Act and the rules made thereunder, including those relating to refunds and exemptions from duties, shall, as far as may be, apply in relation to the levy and collection of the regulatory duties of excise leviable under this section in respect of any goods as they apply in relation to the levy and collection of the duties of excise on such goods under that Act or those rules. 5

(5) Every notification issued under sub-section (1) shall, as soon as may be after it is issued, be placed before each House of Parliament. 10

Disconti-
nuance of
salt duty.

50. For the year beginning on the 1st day of April, 1966, no duty under the Central Excises Act, or the Tariff Act shall be levied in respect of salt manufactured in, or imported into, India. 15

CHAPTER VI

MISCELLANEOUS

Amend-
ment of
Act 74 of
1956.

51. (1) In the Central Sales Tax Act, 1956,—

(a) in section 8, in sub-section (1) and in sub-section (2A), for the words "two per cent.", wherever they occur, the words 20 "three per cent." shall be substituted;

(b) in section 15, in clause (a), for the words "two per cent.", the words "three per cent." shall be substituted.

(2) The amendments by sub-section (1) made in the Central Sales Tax Act, 1956 shall take effect on and from the 1st day of July, 25 1966.

Amend-
ment of
Act 63 of
1960.

52. In section 4A of the Preference Shares (Regulation of Dividends) Act, 1960, for the words "such deduction shall in no case exceed twenty-five per cent. of the stipulated dividend.", the following words, figures and brackets shall be substituted, namely:— 30

"such deduction made by the company from any dividend declared after the 28th day of February, 1966 shall in no case exceed twenty-seven and a half per cent. of the aggregate of—

(i) the stipulated dividend, and

(ii) an amount equal to eleven per cent. of the stipulated 35 dividend as specified in sub-section (3) of section 3.".

53. In section 32 of the Unit Trust of India Act, 1963, in sub-section (1), for clause (b) and the *Explanation*, the following clause and *Explanation* shall be substituted, namely:—

Amend-
ment of
Act 52 of
1963.

5 (b) where in the case of a unit-holder, being an individual, the income in respect of units received by him from the Trust during the previous year does not exceed one thousand rupees, such income, and where such income exceeds one thousand rupees, a sum of one thousand rupees, shall not be included in computing his total income of that year under the Income-tax Act, 1961.

43 of 1961. 10

43 of 1961. *Explanation*.—In this clause, “previous year” has the same meaning as in the Income-tax Act, 1961;’.

Declaration under the Provisional Collection of Taxes Act, 1931

15 It is hereby declared that it is expedient in the public interest that the provisions of clauses 44, 46, 47 and 48 of this Bill shall have immediate effect under the Provisional Collection of Taxes Act, 1931.

16 of 1931.

THE FIRST SCHEDULE

(See section 2)

PART I

20 *Income-tax and surcharges on income-tax*

Paragraph A

In the case of every individual or Hindu undivided family or unregistered firm or other association of persons or body of individuals,

whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Income-tax Act, not being a case to which any other Paragraph of this Part applies,—

Rates of income-tax

5

(1) where the total income does not exceed Rs. 5,000	5 per cent. of the total income;
(2) where the total income exceeds Rs. 5,000 but does not exceed Rs. 10,000	Rs. 250 plus 10 per cent. of the amount by which the total income exceeds Rs. 5,000; 10
(3) where the total income exceeds Rs. 10,000 but does not exceed Rs. 15,000	Rs. 750 plus 15 per cent. of the amount by which the total income exceeds Rs. 10,000;
(4) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000	Rs. 1,500 plus 20 per cent. of the amount by which the total income exceeds Rs. 15,000; 15
(5) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000	Rs. 2,500 plus 30 per cent. of the amount by which the total income exceeds Rs. 20,000;
(6) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000	Rs. 4,000 plus 40 per cent. of the amount by which the total income exceeds Rs. 25,000; 20
(7) where the total income exceeds Rs. 30,000 but does not exceed Rs. 50,000	Rs. 6,000 plus 50 per cent. of the amount by which the total income exceeds Rs. 30,000; 25
(8) where the total income exceeds Rs. 50,000 but does not exceed Rs. 70,000	Rs. 16,000 plus 60 per cent. of the amount by which the total income exceeds Rs. 50,000;
(9) where the total income exceeds Rs. 70,000	Rs. 28,000 plus 65 per cent. of the amount by which the total income exceeds Rs. 70,000; 30

Provided that for the purposes of this Paragraph, in the case of a person, not being a non-resident—

(i) no income-tax shall be payable on a total income not exceeding the following limit, namely:— 35

(a) Rs. 6,500 in the case of every Hindu undivided family which as at the end of the previous year satisfies either of the following two conditions, namely:—

(1) that it has at least two members entitled to claim partition who are not less than eighteen years of 40 age; or

(2) that it has at least two members entitled to claim partition who are not lineally descended one from the other and who are not lineally descended from any other living member of the family;

5

(b) Rs. 3,500 in every other case;

(ii) where such person is an individual or a Hindu undivided family, the income-tax computed at the rate hereinbefore specified shall be reduced by so much of the amount specified hereunder, as does not exceed the amount of income-tax so computed:—

	(a) Rs. 125	in the case of an unmarried individual;
15	(b) Rs. 200	in the case of a married individual who has no child mainly dependent on him or a Hindu undivided family which has no minor coparcener;
20	(c) Rs. 220	in the case of a married individual who has one child mainly dependent on him or a Hindu undivided family which has one minor coparcener mainly supported from the income of such family;
25	(d) Rs. 240	in the case of a married individual who has more than one child mainly dependent on him or a Hindu undivided family which has more than one minor coparcener mainly supported from the income of such family;
30		

(iii) where the total income is twenty thousand rupees or less, the income-tax payable shall not exceed forty per cent. of the amount by which the total income exceeds the limit specified in sub-clause (a) or, as the case may be, sub-clause (b) of clause (i) of this proviso.

Surcharges on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by the aggregate of surcharge for purposes of the Union calculated as specified.

hereunder:—

(a) where—

(i) in the case of an individual or a Hindu undivided family, the amount of unearned income, not being income by way of interest on any security of the Central or State Government or income received in respect of units from the Unit Trust of India, established under the Unit Trust of India Act, 1963, included in the total income, or

5

(ii) in any other case, the amount of unearned income included in the total income,

10

exceeds Rs. 15,000,

a surcharge calculated on the difference between the amount of income-tax computed in respect of the income referred to in sub-clause (i) or, as the case may be, sub-clause (ii), if such income had been the total income and the amount of income-tax computed in respect of an income of Rs. 15,000 if it had been the total income, at the following rate, namely:—

52 of 1963.

(1) where the amount of the difference does not exceed Rs. 14,500 20 per cent. of the amount of such difference; 20

(2) where the amount of the difference exceeds Rs. 14,500 Rs. 2,900 plus 25 per cent. of the amount by which the difference aforesaid exceeds Rs. 14,500;

(b) where—

(i) in the case of an individual or a Hindu undivided family, the earned income and income by way of interest on any security of the Central or State Government and income received in respect of units from the Unit Trust of India, established under the Unit Trust of India Act, 1963, included in the total income, or

30

52 of 1963

(ii) in any other case, the earned income included in the total income,

exceeds Rs. 1 lakh,

a surcharge calculated on the amount of the difference between the income-tax computed in respect of the income referred to in sub-clause (i) or, as the case may be, sub-clause (ii), if such income had been the total income and the income-tax computed in respect of a total income of Rs. 1 lakh, at the following rate, namely:—

(1) where the amount of the difference does not exceed Rs. 65,000 5 per cent. of the amount of such difference; 40

(2) where the amount of the difference exceeds Rs. 65,000 but does not exceed Rs. 1,30,000 Rs. 3,250 plus 10 per cent. of the amount by which the difference aforesaid exceeds Rs. 65,000;

45

(3) where the amount of the difference exceeds Rs. 1,30,000 Rs. 9,750 plus 15 per cent. of the amount by which the difference aforesaid exceeds Rs. 1,30,000 and

5 (c) a special surcharge calculated at the rate of ten per cent. on the aggregate of the following amounts, namely:—

(i) the amount of income-tax computed in accordance with the preceding provisions of this Paragraph; and

10 (ii) the aggregate of the amounts of the surcharges calculated in accordance with clause (a) and clause (b) of this sub-paragraph.

Paragraph B

In the case of every co-operative society,—

Rates of income-tax

15 (1) where the total income does not exceed Rs. 5,000 5 per cent. of the total income:

(2) where the total income exceeds Rs. 5,000 but does not exceed Rs. 10,000 Rs. 250 plus 10 per cent. of the amount by which the total income exceeds Rs. 5,000;

20 (3) where the total income exceeds Rs. 10,000 but does not exceed Rs. 15,000 Rs. 750 plus 15 per cent. of the amount by which the total income exceeds Rs. 10,000;

(4) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000 Rs. 1,500 plus 20 per cent. of the amount by which the total income exceeds Rs. 15,000;

25 (5) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000 Rs. 2,500 plus 25 per cent. of the amount by which the total income exceeds Rs. 20,000;

(6) where the total income exceeds Rs. 25,000 Rs. 3,750 plus 31 per cent. of the amount by which the total income exceeds Rs. 25,000;

Provided that—

(i) no income-tax shall be payable on a total income not exceeding Rs. 3,500; and

35 (ii) where the total income is twenty thousand rupees or less, the income-tax payable shall not exceed forty per cent. of the amount by which the total income exceeds Rs. 3,500.

Surcharges on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by the aggregate of surcharges for purposes of the Union calculated as specified hereunder:—

40 (a) where the total income exceeds Rs. 25,000, a surcharge calculated at the rate of 6½ per cent. of the amount of the difference between the income-tax computed at the rates hereinbefore specified and the income-tax computed in respect of a total income of Rs. 25,000; and

(b) a special surcharge calculated at the rate of ten per cent. on the aggregate of the following amounts, namely:—

(i) the amount of income-tax computed at the rate hereinbefore specified; and

(ii) the amount of the surcharge calculated in accordance with clause (a) of this sub-paragraph.

Paragraph C

In the case of every registered firm,—

Rates of income-tax

(1) where the total income does not exceed Rs. 25,000	Nil;	10
(2) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000	6 per cent. of the amount by which the total income exceeds Rs. 25,000;	
(3) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000	Rs. 1,500 plus 8 per cent. of the amount by which the total income exceeds Rs. 50,000;	15
(4) where the total income exceeds Rs. 1,00,000	Rs. 5,500 plus 12 per cent. of the amount by which the total income exceeds Rs. 1,00,000.	20

Surcharges on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by the aggregate of surcharges for purposes of the Union calculated as specified hereunder:—

(a) in the case of a registered firm whose total income includes income derived from a profession carried on by it and the income so included is not less than fifty-one per cent. of such total income, a surcharge calculated at the rate of ten per cent. of the amount of income-tax computed at the rate hereinbefore specified;

30

(b) in the case of any other registered firm, a surcharge calculated at the rate of twenty per cent. of the amount of income-tax computed at the rate hereinbefore specified; and

(c) a special surcharge calculated at the rate of ten per cent. on the aggregate of the following amounts, namely:—

35

(i) the amount of income-tax computed at the rate hereinbefore specified; and

(ii) the amount of the surcharge calculated in accordance with clause (a), or, as the case may be, clause (b) of this sub-paragraph.

40

Paragraph D

In the case of every local authority,—

Rate of income-tax

On the whole of the total income .. 45 per cent.

5 *Surcharges on income-tax*

The amount of income-tax computed at the rate hereinbefore specified shall be increased by the aggregate of surcharges for purposes of the Union calculated as specified hereunder:—

10 (a) a surcharge calculated at the rate of ten per cent. of the amount of income-tax computed at the rate hereinbefore specified; and

(b) a special surcharge calculated at the rate of ten per cent. on the aggregate of the following amounts, namely:—

15 (i) the amount of income-tax computed at the rate hereinbefore specified; and

(ii) the amount of the surcharge calculated in accordance with clause (a) of this sub-paragraph.

Paragraph E

In the case of the Life Insurance Corporation of India established 31 of 1956. 20 under the Life Insurance Corporation Act, 1956,—

Rates of income-tax

(i) on that part of its total income 52.5 per cent; which consists of profits and gains from life insurance business

25 (ii) on the balance, if any, of the total income the rate of income-tax applicable in accordance with Paragraph F of this Part, to the total income of a domestic company which is a company in which the public are substantially interested.

30

Paragraph F

In the case of a company, other than the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 31 of 1956. 1956,—

35 *Rates of income-tax*

I. In the case of a domestic company—

(A) (1) where the company is a company in which the public are substantially interested,—

40 (1) in a case where the total income does not exceed Rs. 25,000 45 per cent. of the total income;

(ii) in a case where the total income exceeds Rs. 25,000	55 per cent. of the total income;	
(2) where the company is not a company in which the public are substantially interested.—		5
(i) in the case of an industrial company.—		
(1) on so much of the total income as does not exceed Rs. 10,00,000	55 per cent.;	10
(2) on the balance, if any, of the total income	65 per cent.;	15
(ii) in any other case	65 per cent. of the total income; and	
(B) in addition, where the company is—		20
(i) a company in which the public are substantially interested, or		
(ii) a company as is referred to in clause (iii) of sub-section (2) or clause (a) or clause (b) of sub-section (4) of section 104 of the Income-tax Act, or		25
(iii) such a company as is exempt from the operation of section 104 of the said Act by a notification issued under the provisions of sub-section (3) of that section,—		30
on so much of the total income as does not exceed the relevant amount of distributions of dividends by the company	7.5 per cent.	35
		40

Provided that the income-tax payable by a domestic company, being a company in which the public are substantially interested, the total income of which exceeds Rs. 25,000, shall not exceed the aggregate of—

(a) the income-tax which would have been payable by the company if its total income had been Rs. 25,000 (the income of Rs. 25,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the company); and

(b) 80 per cent. of the amount by which its total income exceeds Rs. 25,000.

Explanation 1.—In clause (B), the expression “the relevant amount of distributions of dividends” means the aggregate of the following amounts, namely:—

5 (a) the amount of dividends, other than dividends on preference shares, declared or distributed by the company during the previous year relevant to the assessment year commencing on the 1st day of April, 1964, or the 1st day of April, 1965, with reference to which the amount of the rebate arrived at under the first proviso to Paragraph D of Part II of the First Schedule to the Finance Act, 1964 or, as the case may be, the first proviso to Paragraph F of Part I of the First Schedule to the Finance Act, 1965 is required to be reduced under the second proviso to the said Paragraph D or, as the case may be, the second proviso to the said Paragraph F, as diminished by so much of the amount 10 of 1964. 10 15 of 1965. 15 referred to hereinabove is reduced under the second proviso to the said Paragraph D or the second proviso to the said Paragraph F; and

20 (b) so much of the amount of the dividends, other than dividends on preference shares, declared or distributed by the company during the previous year as exceeds ten per cent. of its paid-up equity share capital as on the 1st day of the previous year.

Explanation 2.—For the purposes of clause (B), where a part of 25 the income of a company is not included in its total income because it is agricultural income, the amount declared or distributed as dividends (other than dividends on preference shares) shall be deemed to be such proportion thereof as the sum specified in clause (a) bears to the sum specified in clause (b), such sums being—

30 (a) the average amount of the total income of the company of the five previous years in which it has been in receipt of taxable income immediately preceding the relevant previous year; and

35 (b) the average amount of the total profits and gains (excluding capital receipts) of the company of the five previous years referred to in clause (a) reduced by such allowances as may be admissible under the Income-tax Act but which have not been taken into account by the company in its profit and loss accounts for the said five previous years.

40 *Explanation 3.*—For the removal of doubts, it is hereby declared that where any dividends were declared by the company before the commencement of the previous year and are distributed by it during

that year, the amount of such dividends shall not be included in the amount of dividends referred to in clause (b) of *Explanation 1*.

II. In the case of a company other than a domestic company:—

(i) on so much of the total income as consists of—

(a) royalties received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 31st day of March, 1961, or 5
10

(b) fees for rendering technical services received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 29th day of February, 1964, 15

and where such agreement has, in either case, been approved by the Central Government 50 per cent.; 20

(ii) on the balance, if any, of the total income 70 per cent.

PART II

Rates for deduction of tax at source in certain cases 25

In every case in which under the provisions of sections 193 to 195 of the Income-tax Act, tax is to be deducted at the rates in force, deduction shall be made from the income subject to deduction, at the following rates:—

	Income-tax	30
	Rate of income-tax	Rate of surcharge
1. In the case of a person other than a company—		
(a) where the person is resident, on the whole income (excluding interest payable on a tax free security)	18 per cent.	4 per cent.; 35
(b) where the person is not resident in India—		
(i) on the whole income (excluding interest payable on a tax free security)	income-tax at 25 per cent. and surcharge at 8 per cent. of the amount of the income or income-tax and surcharges on income-tax in respect of the income at the rates prescribed in Paragraph A of Part I of this Schedule, if such income had been the total income, 45	40
(ii) on the income by way of interest payable on a tax free security	whichever is higher; 12.5 per cent.	50 4 per cent.

		Income-tax	
		Rate of income-tax	Rate of surcharge
2. In the case of a company—			
5	(a) where the company is a domestic company, on the whole income (excluding interest payable on a tax free security)	22 per cent.	<i>Nil</i>
10	(b) where the company is not a domestic company—		
	(i) on the income by way of dividends payable by an Indian company as is referred to in the proviso to section 85A of the Income-tax Act	15 per cent.	<i>Nil</i>
15	(ii) on the income by way of dividends payable by any domestic company other than a company referred to in (i) hereinabove	25 per cent.	<i>Nil</i>
20	(iii) on the income by way of royalties payable by an Indian concern in pursuance of an agreement made by it with the Indian concern after the 31st day of March, 1961, and which has been approved by the Central Government	50 per cent.	<i>Nil</i>
25	(iv) on the income by way of fees payable by an Indian concern for rendering technical services in pursuance of an agreement made by it with the Indian concern after the 29th day of February, 1964, and which has been approved by the Central Government	50 per cent.	<i>Nil</i>
30	(v) on the income by way of interest payable on a tax free security	44 per cent.	<i>Nil</i>
35	(vi) on any other income	70 per cent.	<i>Nil</i>

THE SECOND SCHEDULE

(See section 3)

Rates of annuity deposits

(i) In the case of any depositor whose total income does not exceed Rs. 15,000	Nil.	5
(ii) In the case of any depositor whose total income exceeds Rs. 15,000 but does not exceed Rs. 20,000	5 per cent. of the adjusted total income:	10

Provided that the annuity deposit to be made shall in no case exceed half the amount by which the total income exceeds Rs. 15,000.

(iii) In the case of a depositor whose total income exceeds Rs. 20,000 but does not exceed Rs. 40,000	7½ per cent. of the adjusted total income:	15
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Provided that the annuity deposit to be made shall in no case exceed the aggregate of the following sums, namely:—

- (a) an amount calculated at five per cent. on so much of the adjusted total income as does not exceed Rs. 20,000;
- (b) one-half of the amount by which the total income exceeds Rs. 20,000.

(iv) In the case of a depositor whose total income exceeds Rs. 40,000 but does not exceed Rs. 70,000	10 per cent. of the adjusted total income:	25
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Provided that the annuity deposit to be made shall in no case exceed the aggregate of the following sums, namely:—

- (a) an amount calculated at seven and a half per cent. on so much of the adjusted total income as does not exceed Rs. 40,000;
- (b) one-half of the amount by which the total income exceeds Rs. 40,000.

(v) In the case of a depositor whose total income exceeds Rs. 70,000	12½ per cent. of the adjusted total income:
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Provided that the annuity deposit to be made shall in no case exceed the aggregate of the following sums, namely:—

(a) an amount calculated at ten per cent. on so much of the adjusted total income as does not exceed Rs. 70,000;

5 (b) one-half of the amount by which the total income exceeds Rs. 70,000.

Explanation.—In this Schedule, “total income” means total income computed in the manner laid down in the Income-tax Act without making any allowance under section 280O of that Act.

STATEMENT OF OBJECTS AND REASONS

The object of this Bill is to give effect to the financial proposals of the Central Government for the financial year 1966-67 and to provide for certain connected matters. Opportunity has been taken to simplify and rationalise the provisions of the Income-tax Act and other enactments with respect to direct taxes. The notes on clauses explain the various provisions contained in the Bill.

NEW DELHI;

SACHINDRA CHAUDHURI.

The 28th February, 1966.

Notes on clauses

Clause 2 prescribes the rates of income-tax and, in the case of non-corporate assessees, the rates of surcharges on income-tax, for the assessment year 1966-67 in respect of income other than capital gains. It also prescribes the rates at which income-tax and surcharge on income-tax are to be deducted at source from interest on securities, dividends and other income during the financial year 1966-67.

In the rate schedules of income-tax for individuals, Hindu undivided families, unregistered firms and associations of persons, etc., co-operative societies and registered firms, the income slabs and the rates of income-tax are the same as in the corresponding rate schedules in the Finance Act, 1965. In the case of local authorities too, the rate of income-tax is the same as prescribed in the said Act.

The existing limits of total income not chargeable to income-tax have, however, been increased, from Rs. 6,000 to Rs. 6,500, in the case of Hindu undivided families satisfying certain conditions, and from Rs. 3,000 to Rs. 3,500 in the case of others. Further, in the case of resident individuals and Hindu undivided families, the amount of tax relief (which is calculated at the rate of 5 per cent. on certain amounts of personal allowances) has been increased by Rs. 25 in each case, as compared to the tax relief available under the Finance Act, 1965.

The rates of surcharges on the tax on earned and unearned incomes, as well as the surcharges on the tax payable by registered firms and local authorities, are the same as in the Finance Act, 1965. However, the Bill provides for the levy of a *special surcharge* for purposes of the Union at the rate of 10 per cent. of the aggregate amount of the income-tax and the above-mentioned surcharges.

In the case of the Life Insurance Corporation of India, the rate of income-tax on its profits and gains from life insurance business has been increased by 5 per cent., i.e. from 47.5 per cent. under the Finance Act, 1965, to 52.5 per cent. The rate of income-tax applicable to the other income of the Life Insurance Corporation of India will be the same as the rate of income-tax applicable to the total income of a domestic company in which the public are substantially interested.

In the case of companies, the rate schedule and the tax mechanics have been completely recast and simplified. Under the Finance Act, 1965, the effective rate of income-tax was arrived at by first calculating the tax on the total income of the company at the gross rate of 80 per cent., then computing the amount of rebates of income-tax admissible to the company at various rates applicable to different classes of companies and to different kinds of income included in the total income, and thereafter, in the case of certain domestic companies by reducing the amount of the rebate so computed by the sum calculated at the specified rates on the amount of bonus issues of the company or the amount of dividends declared or distributed by it on its equity capital, and, finally, by deducting the net amount of rebate so arrived at from the amount of gross tax calculated in the first instance. Under the proposed rate schedule, the actual rates of income-tax in the case of various classes of companies have been set out directly, without any provision for rebates or reduction in rebate. The rates of income-tax for various classes of companies have, however, been increased by 5 per cent. of the total income, in each case, over the corresponding rates in force for the assessment year 1965-66, except in the case of domestic companies in which the public are substantially interested with total income not exceeding Rs. 25,000. In the case of the last-mentioned class of companies, the rate of income-tax has been increased from 42.5 per cent. under the Finance Act, 1965 by 2.5 per cent., to 45 per cent. The rate of income-tax on royalties and technical service fees received by foreign companies under certain approved agreements, however, remains unchanged, at 50 per cent. In the case of domestic companies (i.e., Indian companies and foreign companies which have made the prescribed arrangements for declaration and payment of dividends within India), other than companies which are required under section 104 of the Income-tax Act to distribute a specified percentage of their distributable income by way of dividends, it is proposed to levy income-tax at the existing rate of 7.5 per cent. of the amount of equity dividends declared or distributed during the previous year, only on that portion of the distribution which exceeds 10 per cent. of the paid-up equity capital as on the first day of the previous year. Under the Finance Act, 1965, such tax was leviable on the whole of the equity dividends declared or distributed during the previous year, except in the case of a company which had declared its maiden dividend during the relevant previous year or any one of the four immediately preceding previous years.

The Bill does not make any provision for the levy of an extra amount of tax on companies with reference to the amount of bonus

shares or the amount of any bonus issued by them to their equity shareholders during the previous year.

The provisions of the Finance Act, 1965, whereunder certain domestic companies were entitled to a rebate of income-tax in respect of their profits and gains attributable to the business of generation or distribution of electricity or any other form of power or of construction, manufacture or production of any one or more of the specified articles or things, have been replaced by a new provision proposed to be introduced in the Income-tax Act by clause 15 of the Bill, for a straight deduction of 8 per cent. of the amount of such profits and gains in computing the total income.

The basis and quantum of tax rebates in relation to exports for the assessment year 1966-67 are the same as for the assessment year 1965-66.

Clause 3 prescribes the rates at which annuity deposits in respect of the assessment year 1966-67 and advance annuity deposits for the financial year 1966-67 will be required to be made by individuals, Hindu undivided families, unregistered firms, associations of persons, etc., under the provisions of Chapter XXIIA of the Income-tax Act. These rates are the same as under the Finance Act, 1965.

Clause 4(a) seeks to amend clause (18) of section 2 of the Income-tax Act. The amendment sought to be made by sub-clause (a) (i) is purely of a drafting nature. Under the amendment sought to be made by sub-clause (a)(ii), the conditions specified in section 2(18)(b) of the Income-tax Act for qualifying as a company in which the public are substantially interested will be relaxed in the case of an Indian company whose business consists *mainly* in the construction of ships or in the manufacture or processing of goods or in mining or in the generation or distribution of electricity or any other form of power. Hitherto, this relaxation was allowed only in the case of an Indian company *wholly* engaged in manufacture or processing of goods or in mining or in the generation or distribution of electricity or any other form of power.

Clause 4(b) seeks to amend clause (22) of section 2 of the Income-tax Act. This amendment is consequential to the amendment proposed to be made in section 45 of the Income-tax Act by clause 13 of the Bill.

Clause 4(c) seeks to amend clause (42A) of section 2 of the Income-tax Act. The effect of the amendment will be that capital gains arising from the transfer of a bank certificate obtained by a person from an authorised dealer in foreign exchange in evidence of remittance of money to India from abroad in accordance with the

Foreign Exchange Regulation Act, 1947, or the rules made thereunder during the period from the 26th October, 1965 to the 28th February, 1966 (or such extended period as may be notified by the Central Government) will, in no circumstances, be treated as capital gains arising from the transfer of a short-term capital asset. Such capital gains will be chargeable to tax in the same manner as capital gains arising from the transfer of a long-term capital asset.

Clause 5 seeks to substitute for existing sub-clause (ii) of clause (b) of section 13 of the Income-tax Act a new sub-clause. The effect of the proposed new sub-clause is to widen a little the scope of the present sub-clause (ii) so that the income of a trust for charitable purposes or a charitable institution will lose the benefit of exemption from income-tax provided under section 11 of the Act if any part of its income or any of its property enures or is during the previous year used or applied directly or indirectly for the benefit of the author or founder of the trust or the institution or any person who has made a substantial contribution to such trust or institution or any relative of such author, founder or person.

Clause 6 seeks to amend section 32 of the Income-tax Act.

The effect of the amendment proposed to be made by sub-clause (a) will be that in respect of any machinery or plant, the actual cost whereof does not exceed Rs. 750, acquired by the assessee for the purposes of the business or profession, the full amount of the actual cost of such machinery or plant would be allowed as a deduction by way of depreciation in the year in which such machinery or plant is acquired.

The amendment proposed to be made by sub-clause (b) is consequential to the amendment sought to be made in section 43 of the Income-tax Act by clause 12 of the Bill. The effect of this amendment will be that where, for the purposes of allowing a deduction by way of depreciation, the excess of the actual cost of a motor car over Rs. 25,000 is ignored in accordance with the proviso to clause (1) of section 43 of the Income-tax Act (proposed to be inserted by clause 12 of the Bill), then, in computing the amount of the terminal charge or terminal allowance on the sale, discard, etc., of such motor car, the "moneys payable" in respect thereof shall be taken to be such proportion of the sale proceeds, compensation, etc., as the amount of Rs. 25,000 bears to the actual cost of the motor car as computed before applying the said proviso to clause (1) of section 43.

The effect of the amendment proposed to be made by sub-clause (c) will be that in computing the profits and gains of a business

carried on by the assessee, a deduction by way of initial depreciation would be allowed in respect of buildings newly erected by the assessee and which are used as residence or as a hospital, creche, canteen, etc., by his employees whose income chargeable under the head "Salaries" is Rs. 7,500 or less. At present, this allowance is made only in respect of residential houses or hospital, creche, canteen, etc., erected for the use of employees drawing a remuneration not exceeding Rs. 200 per mensem.

Clause 7 seeks to amend the *Explanation* to sub-section (3) of section 33 of the Income-tax Act. The effect of the amendment will be that the benefit of the continuance of entitlement to development rebate in respect of machinery or plant installed by a subsidiary company in the hands of its holding company, under sub-section (3) of section 33, will be available (subject to the fulfilment of the other conditions specified in this behalf) where the subsidiary company being a wholly owned subsidiary, is merged in its holding company, irrespective of whether the subsidiary company is an Indian company or not.

Clause 8 seeks to amend section 33A of the Income-tax Act, relating to deduction by way of development allowance at specified percentages of the actual cost of planting of tea bushes.

Sub-clause (a) (i) seeks to increase the development allowance for planting of tea bushes in new areas from the existing quantum of 40 per cent. to 50 per cent. of the actual cost of planting.

Sub-clause (a) (ii) seeks to increase the quantum of the development allowance for replanting tea bushes in areas already under plantation from the existing quantum of 20 per cent. to 30 per cent. of the actual cost of planting.

Sub-clause (a) (iii) seeks to make a provision for the deduction of the development allowance in two stages, in replacement of the existing provision under which such deduction is allowed in the fourth accounting year reckoned from the accounting year in which the land is prepared for planting or replanting, as the case may be. Under the proposed provision, development allowance will, in the first instance, be computed with reference to that portion of the actual cost of planting which is incurred in the accounting year in which the land is prepared for planting or replanting, as the case may be, and in the accounting year next following, and the amount so computed will be allowed as a deduction in respect of such accounting year next following.

The development allowance will again be computed at the end of the four-year period with reference to the actual cost of planting, and if the allowance so computed exceeds the allowance already deducted in respect of the second year, as stated above, the amount of the excess will be allowed as a deduction in respect of the fourth accounting year reckoned from the year in which the land is prepared for planting or replanting, as the case may be.

Sub-clause (b) seeks to make two consequential amendments to sub-section (2) of section 33A.

Clause 9 seeks to amend section 34 of the Income-tax Act. The effect of this amendment will be that in respect of a ship acquired by the assessee after the 28th February, 1966, the quantum of development rebate reserve required to be created by him under the provisions of section 34(3) (a) of the Income-tax Act will be reduced from 75 per cent. of the amount of development rebate actually allowed, to 50 per cent. thereof.

Clause 10 seeks to insert a new section 35A in the Income-tax Act.

Sub-section (1) of the proposed section 35A seeks to provide that any capital expenditure incurred by an assessee after the 28th February, 1966 on the acquisition of patent rights or copyrights (hereinafter referred to as rights) used for the purposes of the business will be allowed as a deduction in equal instalments over a period of 14 years or 14 years as reduced by the number of complete years comprised in the period which has expired since the commencement of the said rights and before their acquisition by the assessee, whichever of the two periods is shorter; where a full period of 14 years had expired before such acquisition, the entire cost of acquisition will be allowed in one instalment.

Sub-section (2) provides that where before the end of any of the relevant previous years for which the allowance is to be made, the rights come to an end without being subsequently revived or where the assessee sells the whole or any part of the rights for an amount which is not less than the capital cost remaining unallowed, no allowance under sub-section (1) will be granted in respect of the previous year in which the rights come to an end or, as the case may be are sold.

Sub-section (3) provides that where the rights come to an end without being subsequently revived or are sold in their

entirety and the proceeds of the sale are less than the cost of acquisition thereof remaining unallowed, then the cost so remaining unallowed or, as the case may be, such cost as reduced by the sale proceeds, will be allowed as a deduction in full in the previous year in which the rights come to an end or, as the case may be, are sold.

Sub-section (4) provides that where the rights or any part thereof are sold and the capital sum received on the sale exceeds the cost of the rights remaining unallowed, the excess, to the extent of the amount already allowed, will be charged as the assessee's profits of the previous year in which the rights are sold.

Sub-section (5) provides that where only a part of the rights is sold for an amount which is less than the capital cost remaining unallowed, the amount of the allowance to be made under sub-section (1) in respect of the previous year in which such sale takes place and subsequent previous years will be recomputed. The recomputation will be made by reducing the capital cost remaining unallowed by the sale proceeds, and the balance will be allowed in equal instalments for the relevant previous year and subsequent previous years.

Clause 11 seeks to amend section 36 of the Income-tax Act. The effect of this amendment will be that in the case of an approved financial corporation engaged in providing long-term finance for industrial development in India, whose paid-up share capital does not exceed Rs. 3 crores, the limit up to which a deduction is allowed in computing its total income in respect of the amount carried by the corporation to a special reserve account, will be increased from the existing quantum of 10 per cent. of the total income to 25 per cent. thereof.

Clause 12 seeks to amend clause (1) of section 43 of the Income-tax Act. The effect of the proposed amendment will be that in respect of any motor car acquired by an assessee after the 28th February, 1966 for more than Rs. 25,000, no depreciation allowance will be admissible on the cost in excess of such amount, in computing the profits and gains of any business or profession.

Clause 13 seeks to omit sub-sections (2) to (4) of section 45 of the Income-tax Act, relating to the charge of tax on capital gains represented by the fair market value of bonus shares allotted to an equity shareholder of a company, in certain circumstances.

Clause 14 seeks to amend section 55 of the Income-tax Act. The amendment is consequential to the amendment of section 45 of the Income-tax Act by clause 13 of the Bill.

Clause 15(b) seeks to amend section 80A of the Income-tax Act. The effect of this amendment will be that a contract for a deferred annuity on the life of the assessee or on the life of the wife or husband of the assessee which contains a provision for the exercise, by the insured, of a cash option in lieu of an annuity will also be regarded as a contract for a deferred annuity on the life of the assessee, etc., for the purposes of section 80A.

Clause 15 (c) seeks to introduce a new section 80E in the Income-tax Act. The effect of the proposed new section will be that in computing the total income of an Indian company or any other company which has made the prescribed arrangements for the declaration and payment of dividends within India, a deduction will be allowed of a sum equal to eight per cent. of the amount of profits and gains attributable to the business of generation or distribution of electricity or any other form of power or of construction, manufacture or production of any one or more of the articles or things specified in the list in the Fifth Schedule included in its total income as computed under the other provisions of the Income-tax Act. This deduction is not available in the case of a company in which the public are substantially interested and whose total income (as computed without applying the provisions of this section) does not exceed Rs. 25,000, the rate of income-tax in the case of such companies being 45 per cent. as against the rate of 55 per cent. applicable in the case of other companies. The deduction under this section is in replacement of the rebate of tax allowed to such companies in respect of their profits and gains from the aforesaid activities under the provisions of the Finance Act, 1965.

Clause 16 seeks to amend section 85A of the Income-tax Act. The amendment proposed to be made by sub-clause (a) (i) is of a verbal nature.

The amendments proposed to be made by sub-clause (a) (ii) and sub-clause (b) are consequential to the amendments proposed to be made by clause 43 of the Bill.

Clause 17 seeks to insert two new sections, 85 B and 85 C in the Income-tax Act.

Section 85B is intended to secure that income by way of dividends received by an Indian company from a foreign company which has not made the prescribed arrangements for declaration and payment

of dividends in India, on shares in the foreign company allotted to it in consideration of the supply of technical "know-how" or technical services to the foreign company in pursuance of an agreement approved by the Central Government in this behalf before the 1st October of the relevant assessment year, will bear income-tax at the rate of 25 per cent. only.

The new section 85C seeks to provide that income by way of royalty, commission, fees or similar payment received by an Indian company from a foreign company which has not made the prescribed arrangements for declaration and payment of dividends in India, in consideration of the supply of technical "know-how" or technical services to the foreign company in pursuance of an agreement approved by the Central Government in this behalf before the 1st October of the relevant assessment year, will bear income-tax at the rate of 25 per cent. only.

Clause 18 seeks to amend section 86A of the Income-tax Act. The effect of this amendment will be that the limit up to which rebate of income-tax can be allowed in respect of income from interest on securities issued income-tax free by the Central Government or by any State Government on which income-tax is payable by the State Government, will be raised from the existing quantum of 25 per cent. of such income to 27.5 per cent. thereof. This amendment is consequential to the proposed levy of a special surcharge at 10 per cent. of the tax and surcharge payable by non-corporate assessees and the proposed increase in the rates of income-tax applicable to various classes of companies.

Clause 19 seeks to amend section 88 of the Income-tax Act. The effect of this amendment will be that the limit up to which rebate of income-tax can be allowed in respect of donations made by a company to the National Defence Fund, the Jawaharlal Nehru Memorial Fund, charitable institutions, etc., will be raised from the existing quantum of 25 per cent. of such donations to 27.5 per cent. thereof. This amendment is consequential to the proposed increase in the rates of income-tax applicable to various classes of companies.

Clause 20 seeks to amend section 104 of the Income-tax Act.

Sub-clause (a).—The amendments proposed to be made by this sub-clause are consequential to the amendments proposed to be made by clause 21 of the Bill in section 109 of the Income-tax Act.

Sub-clause (b).—The effect of the amendment proposed to be made by sub-clause (b) (i) will be that the exemption from the

requirement of compulsory distribution of dividends up to the statutory percentage available, *inter alia*, to Indian companies wholly or mainly engaged in manufacturing activities, etc., will be extended to Indian companies mainly engaged in the business of construction of ships. The omission of the words "wholly or" occurring in the existing section 104 (4) (a) is in the nature of a verbal amendment. Sub-clause (b) (ii) seeks to insert a new sub-clause (c) in section 104(4) of the Income-tax Act to provide that the requirement of compulsory distribution of dividends up to the statutory percentage will not apply in the case of a company which is neither an Indian company nor a company which has made the prescribed arrangements for the declaration and payment of dividends within India. The amendment proposed to be made by sub-clause (b) (iii) is consequential to the amendment proposed to be made by sub-clause (b) (i) of this clause.

Clause 21 seeks to amend section 109 of the Income-tax Act.

Sub-clause (a) seeks to introduce two new sub-clauses, namely, sub-clause (g) and sub-clause (h) in clause (i) of that section. The effect of the new sub-clause (g) will be to secure that the "distributable income" of a company will be computed by deducting from the total income, *inter alia*, any expenditure actually incurred for the purposes of the business, but disallowed in computing the income chargeable under the head "Profits and gains of business or profession", being a bonus or gratuity paid to an employee, legal charges, any such expenditure as is referred to in section 40(c) of the Income-tax Act and any expenditure claimed as a revenue expenditure but not allowed to be deducted as such, and not resulting in the creation of an asset or enhancement in the value of an existing asset. The effect of the proposed sub-clause (h) will be to similarly secure a deduction in respect of any expenditure wholly and exclusively incurred for the purpose of making or earning any income included in the total income (other than income chargeable under the head "Profits and gains of business or profession") but disallowed in computing such income, and not resulting in the creation of an asset or enhancement in the value of an existing asset.

Sub-clause (b) seeks to substitute the definition of the term "investment company" to secure that a company will be regarded as an investment company if its total income consists mainly of income which, if it had been the income of an individual, would be regarded as unearned income.

Sub-clause (c).—The amendment proposed to be made by this sub-clause is purely of a drafting nature.

Sub-clause (d) seeks to substitute sub-clause (iii) (3) of section 109 of the Income-tax Act. The effect of the proposed amendment will be that in the case of Indian companies which are only *partly* (as distinct from *mainly*) engaged in manufacturing and other specified activities, the "*statutory percentage*" of distributable income in relation to profits and gains attributable to such activities will be "*Nil*", as against 45 per cent. at present.

Clause 22 seeks to amend section 112A of the Income-tax Act. The effect of the amendment will be that the tax concessions available under sections 112A and 193 of the Income-tax Act, in respect of interest on National Savings Certificates (First Issue), will also be available in respect of interest on National Savings Certificates (First Issue)—Bank Series.

Clause 23 seeks to amend section 114 of the Income-tax Act. The amendment is consequential to the amendment of section 45 of the Income-tax Act by clause 13 of the Bill.

Clause 24 seeks to amend section 115 of the Income-tax Act. The amendments are consequential to the amendment of section 45 of the Income-tax Act by clause 13 of the Bill.

Clause 25 seeks to amend section 193 of the Income-tax Act. The effect of this amendment will be that in the case of an individual resident in India, holding Central or State Government securities [other than National Defence Bonds, 1972, National Savings Certificates (First Issue), National Defence Loans, 1968 and 1972 and Gold Bonds, in respect of which specific provisions already exist] interest shall be paid without deduction of tax at source, if the holder of the securities makes a declaration, in writing before the person responsible for paying the interest, that he has not previously been assessed to income-tax, that his total income in respect of the previous year to which the interest relates is not likely to exceed the maximum amount not chargeable to income-tax, and that the total nominal value of such securities held by him or on his behalf did not exceed Rs. 2,500 at any time during the said period.

Clause 26 seeks to amend section 201 of the Income-tax Act.

Sub-clause (a) seeks to amend the proviso to the above-mentioned section. Under the existing proviso, a penalty under section 221 of the Income-tax Act can be levied on a person who is responsible to deduct tax at source from salary, etc., for his

failure to make such deduction or to pay the tax so deducted to the credit of the Central Government within the prescribed time, only if the Income-tax Officer is satisfied that such person had wilfully failed to deduct and pay the tax. Under the proviso as amended, penalty under section 221 of the Income-tax Act will be leviable on such a defaulter if the Income-tax Officer is satisfied that there were no good and sufficient reasons for the failure to deduct and pay the tax.

Sub-clause (b) seeks to make a new provision in section 201 for the charging of simple interest at six per cent. per annum from persons who are responsible for deducting tax at source from salary, etc., and paying such tax to the credit of the Central Government within the prescribed period but have defaulted either in deducting the tax or in paying the tax deducted to the credit of the Central Government within the prescribed time.

Sub-clause (c) seeks to make an amendment in sub-section (2), the effect of which is that the simple interest referred to in the proposed sub-section (1A) will also be a charge on the assets of the person or company concerned.

Clause 27 seeks to amend section 235 of the Income-tax Act. The effect of this amendment will be that the limit up to which rebate of income-tax can be allowed to an assessee in respect of that portion of the dividend received from a company which is attributable to the company's agricultural income and on which agricultural income-tax has been paid by the company to the State Government, will be raised from the existing quantum of 25 per cent. of such portion to 27.5 per cent. thereof. This amendment is consequential to the proposed levy of a special surcharge at 10 per cent. of the tax and surcharge payable by non-corporate assessees and the proposed increase in the rates of income-tax applicable to various classes of companies.

Clause 28 seeks to amend section 236A of the Income-tax Act. This amendment seeks to bring the relevant provision in section 236A in line with the provision in Paragraph F of Part I of the First Schedule to the Bill for levy of tax on certain companies with reference to the "relevant amount of distributions of dividends" by such companies.

Clause 29 seeks to amend section 280A of the Income-tax Act. The effect of this amendment will be that a person whose total income chargeable to tax for the assessment year 1987-88 or any

subsequent assessment year is Rs. 25,000 or less will not be required to make any annuity deposit (or advance annuity deposit) in relation to any such assessment year. Such a person is, however, given the option to make a declaration that the provisions of Chapter XXIIA of the Income-tax Act regarding annuity deposits should apply to him, and if he does so, the said provisions shall apply to him in relation to the assessment year in respect of which he makes the declaration and all assessment years thereafter. The declaration in respect of any assessment year is required to be made not later than the 30th September of the financial year immediately preceding that assessment year.

Clause 30 seeks to omit the *Explanation* to section 280E of the Income-tax Act. This amendment is consequential to the shifting of the *Explanation* from section 280E to section 280A, by clause 29 of the Bill.

Clause 31 seeks to substitute a new section for the existing section 280Q in order to make the provisions relating to rounding off of annuity deposits more clear and simple and bring them in line with the provisions of the proposed new section 288A.

Clause 32 seeks to introduce a new sub-section (1A) in section 280X of the Income-tax Act to enable an individual who has completed the age of seventy years on the last day of the previous year relevant to the assessment year, and who has not before that day exercised the option under sub-section (1), to make a declaration that the provisions of Chapter XXIIA regarding annuity deposits should not apply to him in relation to any assessment year in which he makes the declaration and all assessment years thereafter.

Clause 33 seeks to amend *Explanation 2* to section 280ZB of the Income-tax Act. This amendment seeks to bring the provisions of the said *Explanation* in line with the provision in Paragraph F of Part I of the First Schedule to the Bill for charging income-tax on certain domestic companies with reference to the "relevant amount of distributions of dividends" by such companies.

Clause 34 seeks to insert two new sections in the Income-tax Act, namely, sections 288A and 288B.

The proposed new section 288A seeks to provide that where the total income as computed in accordance with the provisions of the Act is not a multiple of ten rupees, it will be rounded off to the nearest multiple of ten rupees by ignoring the fraction which is less than five rupees and increasing the fraction which amounts to five

rupees or more, to ten rupees; and the total income so rounded off will be deemed to be the total income. Where the total income of an assessee includes earned income, the adjustment on account of rounding off will be made to the earned income. Where there is no earned income, such adjustment will be made to the unearned income.

The proposed section 288B seeks to provide that fractions of one rupee contained in the amount of tax (including advance tax and tax deducted at source), penalty, interest, etc., and refunds will be rounded off to the nearest rupee, by ignoring amounts less than fifty *paise* and increasing amounts of fifty *paise* or more, to one rupee.

Clause 35 seeks to amend, retrospectively, section 297 of the Income-tax Act, 1961, to secure that the exemptions, reductions in rates or other modifications in respect of income-tax notified by the Central Government under section 60A of the Indian Income-tax Act, 1922, which were in force immediately before the commencement of the Income-tax Act, 1961 continue in force until rescinded by the Central Government.

Clause 36 seeks to amend the First Schedule to the Income-tax Act. The effect of this amendment will be that the quantum of the rebate of income-tax to be allowed with reference to interest on income-tax free securities of the Central Government in computing the tax payable on income from life insurance business will be raised from 25 per cent. to 27.5 per cent. of the annual average of the amount of such interest. This amendment is consequential to the proposed increase in the rate of income-tax applicable to income from life insurance business.

Clause 37 seeks to add "newsprint" in item (16) of, and two new items, namely, "Tea" and "Printing machinery" to, the list of articles or things in the Fifth Schedule to the Income-tax Act. The effect of this will be that new machinery or plant installed by an assessee during the period 1-4-1966 to 31-3-1970 in a business of manufacture of any one or more of these articles will also qualify for the allowance of development rebate at the rate of 35 per cent. of the actual cost thereof. In other respects, namely, that of computing, for the assessment year 1966-67, the amount of the deduction provided under the new section 80E proposed to be inserted in the Income-tax Act by clause 15 of the Bill, and for the purpose of determining whether a company was mainly engaged in specified activities during the previous year relevant to the assessment year 1966-67 under the Explanation to section 85A of that Act, income from the manufacture or production of the articles proposed to be added by this clause will

be treated as profits and gains attributable to the activities specified in those sections.

Clause 38 seeks to amend the Estate Duty Act, 1953.

Sub-clauses (a) to (e), respectively, seek to increase the period specified in sections 9, 10, 11, 12 and 22 for the inclusion in his estate of property gifted, settled or otherwise disposed of by the deceased during his life-time, from one year to two years. The amendment in sub-clause (f) (i) is consequential to these amendments.

The amendment in sub-clause (f)(ii) seeks to insert, retrospectively, a new clause (mm) in sub-section (1) of section 33. Sub-clause (g) seeks to make, retrospectively, a consequential amendment to clause (a) of section 34(1). The combined effect of these two proposed amendments will be that the property belonging to a deceased person who was a member of a police force (including a border security force) and was killed in action in protecting the border will not be chargeable to estate duty and will also be excluded in determining the principal value of the property passing on his death.

Sub-clause (h) seeks to increase from one year to two years the period specified in section 46(2) of the Estate Duty Act, for the inclusion in his estate of money or money's worth paid or applied by the deceased towards the satisfaction or discharge of certain debts or encumbrances where but for such satisfaction or discharge the liability would not have been deductible in the computation of the net principal value of his estate.

Sub-clause (i) seeks to substitute the rate schedule of estate duty contained in Part I of the Second Schedule to the Act by a new rate schedule. Under the new rate schedule, rates of duty have been increased by 2 per cent, from 8 per cent. to 10 per cent., in the slab of Rs. 1,00,001—Rs. 2,00,000, by 10 per cent., i.e., from 15 per cent. to 25 per cent., in the slab of Rs. 3,50,001—Rs. 5,00,000, and by 5 per cent, i.e., from 25 per cent. to 30 per cent., in the slab of Rs. 5,00,001—Rs. 10,00,000.

Clause 39 seeks to make transitional provisions to secure that in the case of persons dying after the 31st March, 1966, but before the 1st April, 1967, sections 9, 10, 11, 12, 22, 33 and 46 of the Estate Duty Act, as proposed to be amended by clause 38, shall have effect as if the references therein to two years before the death of the deceased were references to the said two years less so much thereof as fell before the 1st April, 1965. The effect of this will be that in the case of such persons, property comprised in any gift, settlement, etc.,

made before 1st April, 1965 will not be included in the dutiable estate by reason only of the fact that the gift, settlement, etc., was made within two years before the death of the deceased.

Clauses 40 and 42 seek to repeal, respectively, the Expenditure-tax Act, 1957, and the Super Profits Tax Act, 1963. As, however, section 6 of the General Clauses Act, 1897, will apply, all the provisions of that section will be attracted in relation to the repeal, and any investigation, legal proceeding or remedy available under the repealed Acts may be instituted, continued or enforced in relation to any right, privilege, obligation or liability acquired, accrued or incurred under, or any penalty, forfeiture or punishment incurred in respect of any offence committed against, the repealed enactments as if the present Bill had not been passed.

Clause 41 seeks to amend the Gift-tax Act, 1958.

Sub-clause (a) (i) seeks to insert a new clause (iia) in section 5(1) of the Gift-tax Act, 1958, to secure that gift-tax will not be levied on gifts of foreign exchange by a non-resident to a person resident in India, where the foreign exchange so gifted is remitted to India in accordance with the Foreign Exchange Regulation Act, 1947 and the rules made thereunder during the period from the 26th October, 1965 to the 28th February, 1966 or such extended period as may be notified by the Central Government.

Sub-clause (a) (ii) seeks to amend sub-section (2) of section 5 of the Gift-tax Act. The effect of this amendment will be that the limit up to which the value of gifts made by any person during the previous year is exempt from gift-tax will be raised from Rs. 5,000 to Rs. 10,000.

Sub-clause (b) seeks to omit section 6A of the Gift-tax Act, 1958, relating to the aggregation of the value of taxable gifts to the same donee during the relevant previous year and during any one or more of the four previous years immediately preceding such previous year with the value of the taxable gifts made by the assessee during the relevant previous year.

Sub-clause (c) seeks to substitute the Schedule to the Act containing the rate schedule of gift-tax, by a new rate schedule. Under the new rate schedule, taken together with the amendment to section 5(2) proposed to be made by sub-clause (a)(ii), the incidence of gift-tax will be reduced at all levels.

Clause 43 seeks to make certain amendments to the Companies (Profits) Surtax Act, 1964.

Sub-clause (a) (i) seeks to substitute sub-clause (b) of clause (i) of rule 2 of the First Schedule to the said Act by a new sub-clause. The object of this amendment is to bring the provisions of sub-clause (b) in line with the provisions in Paragraph F of Part I of the First Schedule to the Bill for the levy of tax on certain companies with reference to the "relevant amount of distributions of dividends" by such companies.

Sub-clause (a) (ii) seeks to insert a new sub-clause (c) in clause (i) of rule 2 of the First Schedule, with retrospective effect from the commencement of the Companies (Profits) Surtax Act. The proposed sub-clause (c) provides that in computing the chargeable profits of a company under the First Schedule, no deduction will be allowed for the additional income-tax, if any, payable by the company under section 104 of the Income-tax Act for its failure to distribute dividends up to the required statutory percentage.

Sub-clause (b) (i) (1) seeks to reduce the rate of surtax from 40 per cent. to 35 per cent. of the net chargeable profits.

Sub-clause (b) (i) (2) seeks to omit the first and second provisos to Paragraph 1 of the Third Schedule, under which companies were entitled to a rebate of 20 per cent. of the surtax attributable to the profits and gains derived by them from specified priority industries. The omission of these two provisos is consequential to the provision sought to be made in the Income-tax Act by clause 15 of the Bill, for a deduction in computing the total income of the company of an amount equal to 8 per cent. of its profits and gains from specified priority industries.

Sub-clause (b) (i) (3) seeks to amend the third proviso to Paragraph 1 of the Third Schedule. This amendment is being made in view of the position that no provision has been made in the Bill for the charging of tax on companies with reference to the amount of their bonus issues.

Sub-clause (b) (ii) seeks to omit Paragraph 2 of the Third Schedule which contained the list of articles and things relating to priority industries. This Paragraph is being omitted for the reasons indicated in the notes on sub-clause (b) (i) (2).

Clause 44 seeks to levy up to the 31st May, 1967 a special duty of customs.

Clause 45 seeks to continue the levy of regulatory duty of customs up to the 15th July, 1967, on a flexible basis within the specified ceiling rates, for regulating or bringing greater economy in imports.

Clause 46 seeks to maintain for another year the *status quo* in regard to commitments under the General Agreement on Tariffs and Trade.

Clause 47.—

Sub-clause (a) seeks to raise the rates of duty on sugar;

Sub-clause (b) seeks to raise the rates of duty on certain varieties of unmanufactured tobacco and cigars and cheroots;

Sub-clause (c) seeks to raise the rate of duty on diesel oil not otherwise specified;

Sub-clause (d) seeks to levy an excise duty on products of the kind known as optical bleaching agents;

Sub-clause (e) seeks to raise the rate of duty and to substitute a specific rate for the existing *ad valorem* rate of duty on carbonic acid (carbon dioxide);

Sub-clause (f) seeks to levy excise duty on organic surface-active agents and surface-active preparations;

Sub-clause (g) seeks to raise the rate of duty on rayon and synthetic fibres and yarn;

Sub-clause (h) seeks to raise the rates of duty on cotton twist, yarn and thread, all sorts;

Sub-clause (i) seeks to raise the rates of duty on cotton fabrics;

Sub-clause (j) seeks to revise the tariff classification of certain manufactures of iron and steel and to raise the rate of duty on pipes and tubes;

Sub-clause (k) seeks to clarify the tariff description of Item No. 33B(i) relating to electric wires and cables.

Clause 48 seeks to continue up to the 31st May, 1967 the existing special duties of excise.

Clause 49 seeks to provide for levy of regulatory duties of excise up to the 15th July, 1967 on a flexible basis within the specified ceiling rate for regulating or bringing greater economy in consumption.

Clause 50 like section 82 of the Finance Act, 1965 provides that salt shall be duty free for another year.

Clause 51.—

Section 8 of the Central Sales Tax Act, 1956 provides for the rate of tax on inter-State sales. Sub-section (1) lays down that in respect of sales to Government and to dealers registered under the Act, the rate shall be 2 per cent. It is proposed to raise this rate to 3 per cent.

The amendment to sub-section (2A) of that section is consequential.

Section 15 of the said Act lays down that no State shall levy sales-tax on goods declared to be of special importance in inter-State trade or commerce under section 14 of that Act, at a rate exceeding 2 per cent. It is proposed to raise this ceiling to 3 per cent. This would give the States a bigger ceiling to refix their rates of tax on such goods, if they so desire.

The proposed increase in the rates of tax will be effective on and from the 1st July, 1966.

Clause 52 seeks to amend section 4A of the Preference Shares (Regulation of Dividends) Act, 1960. The proposed amendment will enable companies who are entitled to deduct income-tax from the dividends on preference shares declared by them, after the 28th February, 1966, to make such deduction, at the rate of 27.5 per cent. on the *full amount of the dividend which they are required to pay*, that is to say, on the amount of the stipulated dividend together with the additional dividend of 11 per cent. of the stipulated dividend which they are statutorily obliged to pay under section 3(3) of the Preference Shares (Regulation of Dividends) Act, 1960.

Clause 53 seeks to amend section 32 of the Unit Trust of India Act, 1963. Under the existing provisions of this section, where the total income of an individual unit-holder, exclusive of the 'qualifying dividend' (that is, the amount of dividends up to Rs. 1,000 received by him from the Trust) does not exceed Rs. 20,000, the 'qualifying dividend' is not included in computing his total income. Where the individual unit-holder's total income, exclusive of the 'qualifying dividend' exceeds Rs. 20,000, the 'qualifying dividend' is included in computing his total income, but the tax calculated on the total income is reduced by an amount equal to 25 per cent. of the 'qualifying dividend'. The effect of the proposed amendment will be that the amount of dividends up to Rs. 1,000 received by an individual unit-holder from the Trust will not be included in his total income, *irrespective of the amount of his other income*.

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 2 (5) (d) of the Bill empowers the Central Board of Direct Taxes to make rules for the purpose of computing the amount of any profits and gains derived by an assessee from the export of any goods or merchandise out of India in respect of which he may claim deductions under the proposed clause 2(5) (a) (i). The matter in respect of which rules may be made is one of procedure and detail. Therefore, the delegation of legislative power is of a normal character.

S. L. SHAKDHER,
Secretary.